These materials are important and require your immediate attention. They require shareholders of U.S. Silver Corporation ("U.S. Silver" or the "Corporation") to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors. If you have questions, you may contact the Corporation's proxy solicitation agent, Phoenix Advisory Partners toll-free at 1-800-240-2133 or outside North America at 201-806-2222 or by email at inquiries@phoenixadvisorypartners.com.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

to be held on August 7, 2012

and

MANAGEMENT PROXY CIRCULAR

with respect to a proposed

COMBINATION TRANSACTION

involving

U.S. SILVER CORPORATION

and

RX GOLD & SILVER INC.

Our special meeting of shareholders will be held at 10:00 a.m. (Toronto time) on August 7, 2012 at Stikeman Elliott LLP, 51st floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B9.

Your vote is important. As a shareholder of the Corporation, you have the right to vote your holdings. Even if you intend to be at the meeting, we encourage all shareholders to vote the enclosed proxy.

THE BOARD OF DIRECTORS OF U.S. SILVER

UNANIMOUSLY RECOMMENDS

THAT SHAREHOLDERS VOTE "FOR" THE RESOLUTION TO APPROVE THE U.S. SILVER ARRANGEMENT

July 9, 2012

US silver

July 9, 2012

Dear U.S. Silver Shareholder:

As you are aware, on June 7, 2012, U.S. Silver Corporation ("U.S. Silver") announced that it had entered into a combination agreement (the "Combination Agreement") with RX Gold & Silver Inc. ("RX Gold") and U.S. Silver & Gold Inc., a newly formed entity that has been incorporated to be the holding corporation of the combined business (the "Combined Company"). Under the terms and conditions of the Combination Agreement, as amended on June 28, 2012, U.S. Silver and RX Gold propose to combine their businesses through (a) the exchange of each outstanding common share of U.S. Silver for 0.67 of a common share of the Combined Company pursuant to a plan of arrangement under the *Canada Business Corporations Act* (the "U.S. Silver Arrangement"), and (b) the exchange of each outstanding common share of RX Gold for 0.109 of a common share of the Combined Company pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario) (the "RX Gold Arrangement"). Immediately following the completion of the respective arrangements, the former shareholders of U.S. Silver will hold approximately 70% of the outstanding common shares of the Combined Company and the former shareholders of RX Gold will hold approximately 30% of the outstanding common shares of the Combined Company.

U.S. Silver has called the special meeting of shareholders in respect of which this document is being distributed to consider a resolution to approve the U.S. Silver Arrangement. The special meeting of U.S. Silver shareholders is being held on the same day as a special meeting of RX Gold shareholders, which has been called to consider a resolution to approve the RX Gold Arrangement.

AFTER CAREFUL CONSIDERATION OF THE COMBINATION TRANSACTION, THE U.S. SILVER BOARD OF DIRECTORS HAS UNANIMOUSLY RECOMMENDED THAT SHAREHOLDERS VOTE IN FAVOUR OF THE RESOLUTION TO APPROVE THE U.S. SILVER ARRANGEMENT. CORMARK SECURITIES INC. ACTED AS FINANCIAL ADVISOR TO THE U.S. SILVER BOARD OF DIRECTORS AND HAS RENDERED AN OPINION, SUBJECT TO THE ASSUMPTIONS AND LIMITATIONS DESCRIBED THEREIN, THAT THE COMBINATION TRANSACTION IS FAIR, FROM A FINANCIAL POINT OF VIEW, TO U.S. SILVER SHAREHOLDERS.

In order to become effective, the U.S. Silver Arrangement must be approved by not less than $66^2/_3\%$ of the votes cast by U.S. Silver shareholders, either present in person or by proxy at the special meeting. The U.S. Silver Arrangement is also subject to approval by the Superior Court of Justice of the province of Ontario (the "Court"). Assuming that all of the conditions to the combination transaction are satisfied, including approval of the RX Gold Arrangement by not less than $66^2/_3\%$ of the votes cast by shareholders of RX Gold, as well as by the Court, U.S. Silver currently expects the combination transaction to be completed on or about August 13, 2012.

The accompanying management proxy circular provides a detailed description of the proposed combination transaction as well as information regarding the Combined Company. U.S. Silver shareholders are requested to complete and return the enclosed form of proxy to ensure that your respective common shares will be represented at the special meeting, whether or not you are personally able to attend.

If you have any questions or require assistance in voting your proxy, please contact our proxy solicitation agent, Phoenix Advisory Partners toll-free at 1-800-240-2133 or outside North America at 201-806-2222 or by email at inquiries@phoenixadvisorypartners.com.

On behalf of the Board of Directors, thank you for your continued support of U.S. Silver.

Sincerely,

Gordon E. Pridham
Executive Chairman & Interim Chief Executive Officer

U.S. SILVER CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "Meeting") of holders ("Shareholders") of common shares (the "Shares") of U.S. Silver Corporation ("U.S. Silver" or the "Corporation") will be held on Tuesday, August 7, 2012 at the office of Stikeman Elliott LLP, 51st floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B9 at 10:00 a.m. (Toronto time), for the following purposes:

(a) to consider, and if deemed advisable, to approve, with or without variation, a special resolution, the full text of which is attached as Appendix C to the accompanying management proxy circular (the "Circular"), approving, among other things, the exchange of Shares in connection with a court-approved plan of arrangement under section 192 of the *Canada Business Corporations Act* in order to effect a combination transaction with RX Gold & Silver Inc. ("RX Gold") in accordance with the terms and conditions of a combination agreement dated June 7, 2012, as amended on June 28, 2012, entered into among U.S. Silver, RX Gold and U.S. Silver & Gold Inc., a newly formed entity that has been incorporated to be the holding corporation of the combined business, as it may be amended from time to time, all as more particularly set forth in the Circular; and

(b) to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

This Notice of Meeting is accompanied by the Circular, a form of proxy and a form of a letter of transmittal that can be used by registered Shareholders.

The Corporation's Board of Directors has fixed the close of business on July 6, 2012 as the record date for determining Shareholders entitled to receive notice of, and to vote at, the Meeting and any postponement or adjournment thereof. No Shareholder becoming a Shareholder of record after that time will be entitled to vote at the Meeting, or any adjournment or postponement thereof.

Whether or not you expect to attend the Meeting, please exercise your right to vote. Shareholders who have voted by proxy may still attend the Meeting.

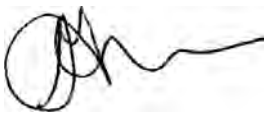
Registered Shareholders are requested to complete, date, sign and return (in the pre-paid return envelope provided for that purpose) the form of proxy. You may also vote your Shares by proxy by appointing another person to attend the Meeting and vote on your behalf. To be valid, the enclosed form of proxy must be signed and received by the proxy department of the Corporation's transfer agent, Valiant Trust Company, by mail at 310-606 4 Street SW, Calgary, Alberta, T2P 9Z9, or by facsimile at 1-855-375-6916 or toll-free in North America at 1-866-313-1872, not later than 5:00 p.m. (Toronto time) on August 2, 2012, or if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second business day (excluding Saturdays, Sundays and holidays) before any adjournment or postponement of the Meeting. Failure to properly complete or deposit a proxy may result in its invalidation. Notwithstanding the foregoing, the Chair of the Meeting has sole discretion to accept proxies received after such deadline but is under no obligation to do so.

Most Shareholders do not hold their Shares in their own name. Such Shares may be beneficially owned by you but registered either: (a) in the name of an intermediary such as a bank, trust corporation, securities dealer or broker, or the trustee or administrator of a self-administered RRSP, RRIF, RESP, TFSA or similar plan, or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) or its nominee, of which the intermediary is a participant. If your Shares are shown in an account statement provided to you by your intermediary, in almost all cases, your Shares will not be registered in your name in the records of the Corporation. Only proxies deposited by registered Shareholders can be recognized and acted upon at the Meeting. As a result, if you hold your Shares through a broker or other intermediary, we urge you to complete only the voting instruction form provided to you or provide your voting instructions to your broker or other intermediary by other acceptable methods. Please read the instructions regarding how to vote at, or attend, the Meeting under "*General Proxy Information — Non-Registered Shareholders*" in the Circular.

If you have questions relating to the business to be conducted at the Meeting or the voting of your Shares, please contact our proxy solicitation agent Phoenix Advisory Partners toll-free at 1-800-240-2133 or outside North America at 201-806-2222 or by email at inquiries@phoenixadvisorypartners.com.

DATED at Toronto, Ontario this 9th day of July 2012.

BY ORDER OF THE BOARD OF DIRECTORS



Gordon E. Pridham
Executive Chairman & Interim Chief Executive Officer

U.S. SILVER CORPORATION

SPECIAL MEETING OF SHAREHOLDERS

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INFORMATION CONTAINED IN THIS CIRCULAR

Certain capitalized terms used in this Circular that are not otherwise defined herein have the respective meanings set out in the "*Glossary*" found in Appendix A hereto. Information in this Circular (excluding documents incorporated herein by reference) is given as at July 9, 2012 unless otherwise indicated.

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of the Corporation in respect of the matters set forth in the Corporation's Notice of Meeting, including the U.S. Silver Arrangement. Phoenix Advisory Partners has been appointed to serve as proxy agent and can be contacted toll-free at 1-800-240-2133 or outside North America at 201-806-2222 or by email at inquiries@phoenixadvisorypartners.com. This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any Shares, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Other than Phoenix Advisory Partners, our proxy solicitation agent, no person has been authorized by U.S. Silver to give any information or to make any representation in connection with the Combination Transaction or any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Combination Agreement in this Circular are qualified in their entirety by reference to the complete text of the Combination Agreement, a copy of which is available under the Corporation's profile on SEDAR at www.sedar.com. You are urged to carefully read the full text of the Combination Agreement and this Circular.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial and other consequences to them in connection with the Combination Transaction.

NOTICE TO UNITED STATES SHAREHOLDERS

The enforcement by U.S. Shareholders of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that the Corporation is incorporated and organized under the laws of Canada, that some or all of their respective officers and directors are residents of countries other than the United States, that the experts named in this Circular are residents of countries other than the United States and that a portion of the assets of the Corporation are located outside of the United States. As a result, it may be difficult or impossible for U.S. Shareholders to effect service of process within the United States upon the Corporation, their directors or officers, or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, U.S. Shareholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

The U.S. Silver Arrangement involves the securities of a Canadian company. The solicitation of proxies made in connection with this Circular is not subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada and in accordance with Canadian corporate and securities laws. Shareholders should be aware that such disclosure requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the U.S. Exchange Act. The financial statements of the Corporation incorporated by reference in this Circular and the pro forma financial statements of the Combined Company appended to this Circular have been prepared in accordance with Canadian generally accepted accounting principles or international financial reporting standards and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable in all respects to financial

statements of United States companies. Likewise, unless expressly noted, information concerning the properties and operations of the Corporation contained or incorporated herein by reference has been prepared in accordance with Canadian standards and may not be comparable in all respects to similar information for United States companies set forth in the registration statements and reports filed with the SEC.

The Combined Company Shares issuable pursuant to the U.S. Silver Arrangement have not been registered under the U.S. Securities Act and will be issued to U.S. Shareholders in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act. Section 3(a)(10) of the U.S. Securities Act provides an exemption from registration under the U.S. Securities Act for offers and sales of securities issued in exchange for one or more outstanding securities where the terms and conditions of the issuance and exchange of such securities have been approved by a court authorized to grant such approval after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear. See "*Required Approvals — Court Approval*" in this Circular. The U.S. Securities Act imposes restrictions on the resale of securities received pursuant to the U.S. Silver Arrangement by U.S. Shareholders that are "affiliates" of the Combined Company after the U.S. Silver Arrangement. As defined in Rule 144 under the U.S. Securities Act, an "affiliate" of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the issuer. See "*Securities Laws Considerations – U.S. Securities Laws*".

THE U.S SILVER ARRANGEMENT AND THE COMBINED COMPANY SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES REGULATORY AUTHORITY, NOR HAS ANY SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF THE U.S. SILVER ARRANGEMENT OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

CAUTIONARY NOTICE TO SHAREHOLDERS IN THE U.S. REGARDING MINERAL RESERVES AND MINERAL RESOURCES

Information concerning the mineral properties of U.S. Silver and RX Gold has been prepared in accordance with the requirements of Canadian Securities Laws, which differ in material respects from the requirements of U.S. Securities Laws applicable to U.S. companies subject to the reporting and disclosure requirements of the SEC. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide definition of "Reserve". In accordance with Canadian National Instrument 43-101—Standards of Disclosure for Mineral Projects ("NI 43-101"), the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" used in this Circular or in the documents incorporated by reference in this Circular are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005. While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by the NI 43-101, the SEC does not recognize them. Shareholders who are U.S. Persons are cautioned that, except for that portion of the mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence as to whether they can be economically or legally mined. Under Canadian Securities Laws, estimates of inferred mineral resources may not form the basis of an economic analysis. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. **Therefore, Shareholders who are U.S. Persons are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, Shareholders who are U.S. Persons are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded to mineral reserves.**

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this Circular that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable Canadian Securities Laws.

All statements other than statements of historical fact included in this Circular that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future, including without limitation, statements regarding any objectives, expectations, intentions, plans, results, levels of activity, goals or achievements, estimates of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of development, success of exploration activities, permitting timelines, government regulation of mining operations, environmental risks, and timing and possible outcomes of pending litigation are or involve forward-looking statements. Although forward-looking statements contained in this Circular are based on what management considers to be reasonable assumptions based on information currently available to it, there can be no assurances that actual events, performance or results will be consistent these forward looking statements, and management's assumptions may prove to be incorrect. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "assumes", "believes", "budget", "could", "estimates", "expects", "forecasts", "guidance", "indicates", "intends", "likely", "may", "objective", "outlook", "plans", "potential", "predicts", "scheduled", "should", "target", "trends", "will", or "would" or the negative or other variations of these words or other comparable words or phrases. This Circular and its appendices, including the documents incorporated herein by reference, contains forward-looking statements including, but not limited to those relating to the Combination Transaction, information concerning U.S. Silver, RX Gold and the Combined Company. Furthermore, certain statements made herein, including, but not limited to, those relating to the tax treatment of Shareholders, the satisfaction of the conditions to consummate the Combination Transaction, the process for obtaining Required Approvals, the expected Effective Date and the anticipated effect of the Combination Transaction are also forward-looking statements. All such forward-looking statements are subject to important risks, uncertainties and assumptions. These statements are forward-looking because they are based on current expectations, estimates and assumptions. It is important to know that: (i) unless otherwise indicated, forward-looking statements in this Circular and its appendices describe expectations as at the date hereof; (ii) actual results and events could differ materially from those expressed or implied in the forward-looking statements in this Circular and its appendices, including the documents incorporated herein by reference, if known or unknown risks affect the respective businesses of U.S. Silver and RX Gold or the Combination Transaction, or if their estimates or assumptions turn out to be inaccurate. As a result, the Corporation cannot guarantee that the results or events expressed or implied in any forward-looking statement will materialize, and accordingly, you are cautioned not to place undue reliance on these forward-looking statements; and (iii) the Corporation disclaims any intention and assume no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, except in accordance with applicable Canadian Securities Laws. The Corporation has made a number of assumptions in making forward-looking statements in this Circular and its appendices, including the documents incorporated herein by reference. In particular, in making these statements, it has assumed, among other things, that the Combination Transaction will receive (i) U.S. Silver Shareholder Approval; (ii) RX Gold Shareholder Approval; (iii) the Final Order; (iv) the RX Gold Final Order; (v) Stock Exchange Approval, and that the other conditions to the Combination Transaction will be satisfied on a timely basis. Certain factors could cause actual results or events to differ materially from the results or events expressed or implied in the forward-looking statements in this Circular and its appendices, including the documents incorporated herein by reference. For a discussion regarding such risks, see "*Information About U.S. Silver*", "*Information About the Combined Company*", "*Information About RX Gold*" and "*Risk Factors*".

NOTICE REGARDING INFORMATION PROVIDED ABOUT RX GOLD

Except as otherwise indicated, the information concerning RX Gold contained in this Circular has been taken from or is based upon RX Gold's and other publicly available documents and records on file with Canadian Securities Administrators and other public sources. Although U.S. Silver has no knowledge that would indicate that any statements contained herein concerning RX Gold taken from or based upon such documents and records are untrue or incomplete, neither U.S. Silver nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of RX Gold's financial statements or RX Gold's mineral resource estimates, or for any failure by RX Gold to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to U.S. Silver. U.S. Silver has limited means of verifying the accuracy or completeness of any of the information contained herein that is derived from RX Gold's publicly available documents or records or whether there has been any failure by RX Gold to disclose events that may have occurred or may affect the significance or accuracy of any information.

For additional information regarding RX Gold, please refer to RX Gold's filings with the Canadian Securities Administrators which may be obtained under RX Gold's profile on SEDAR at www.sedar.com.

REPORTING CURRENCIES

All amounts in this Circular are expressed in Canadian dollars ("$"), unless otherwise indicated. On July 6, 2012, the noon rate of exchange as reported by the Bank of Canada was Cdn$1.00 = US$0.9805.

QUESTIONS & ANSWERS ABOUT THE COMBINATION TRANSACTION

The following list of Questions and Answers is intended to address some of the key aspects of the Meeting and the Combination Transaction. This section is a summary only and is qualified in its entirety by the more detailed information contained elsewhere in this Circular, the documents incorporated herein by reference and the attached appendices. ***Shareholders are urged to read this Circular, including the documents incorporated herein by reference and the attached appendices, in their entirety.*** *Capitalized terms used in these Questions and Answers, where not otherwise defined in this section, are defined in this Circular. See "Appendix* A *– Glossary" of this Circular.*

General Questions about the Meeting and Voting

Q: WHY AM I RECEIVING THIS CIRCULAR?

A: You are receiving this Circular and form of proxy because you owned Shares of the Corporation as of the close of business on the Record Date, being July 6, 2012. Only Shareholders as of the close of business on the Record Date will be entitled to receive notice of the Meeting or any adjournment or postponement thereof, and to vote at the Meeting. No Shareholder becoming a Shareholder of record after that time will be entitled to vote at the Meeting, or any adjournment or postponement thereof.

Q: WHO IS SOLICITING MY PROXY?

A: Management is soliciting your proxy for use at the Meeting. In connection with such solicitation, management is providing you with this Circular.

Q: HOW WILL THE SOLICITATION BE MADE?

A: It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by telephone or other electronic means by management of the Corporation, including directors and officers. The costs of the solicitation will be borne by the Corporation. In addition, Phoenix Advisory Partners has been retained by the Corporation to provide proxy solicitation services.

Q: WHEN AND WHERE IS THE MEETING?

A: The Meeting is scheduled to be held on August 7, 2012 at 10:00 a.m. (Toronto time) at the office of Stikeman, 51st floor, 5300 Commerce Court West, 199 Bay St., Toronto, Ontario, M5L 1B9 for the purposes set forth in the Notice of Meeting. The Corporation reserves the right to adjourn or postpone the Meeting if considered appropriate by the Board, subject to the provisions of the Combination Agreement.

Q: HOW MANY VOTES DO I HAVE?

A: Each Shareholder will be entitled to one vote for each Share held on the close of business on July 6, 2012 on all matters proposed to come before the Meeting.

Q: HOW MANY SHARES ARE ELIGIBLE TO VOTE?

A: As of the Record Date (July 6, 2012), there were 61,204,002 Shares outstanding and eligible to vote at the Meeting.

Q: WHAT AM I BEING ASKED TO VOTE ON?

A: At the Meeting, Shareholders will be asked to consider, and if deemed advisable, to approve, with or without variation, the U.S. Silver Arrangement Resolution, the full text of which is attached as Appendix C to this Circular, approving, among other things, the exchange of Shares in connection with a court-approved Plan of Arrangement under section 192 of the Canada Business Corporations Act in order to effect a combination transaction with RX Gold in accordance with the terms and conditions of the Combination Agreement, all as more particularly set forth in this Circular.

Q: WHAT LEVEL OF SHAREHOLDER APPROVAL WILL BE NECESSARY TO PASS THE U.S. SILVER ARRANGEMENT RESOLUTION?

A: In order to be effective, the U.S. Silver Arrangement Resolution must be approved by not less than $66^2/_3\%$ of votes cast by Shareholders present, in person or by proxy, at the Meeting.

Q: HOW DOES THE CORPORATION'S BOARD RECOMMEND I VOTE?

A: After carefully considering various factors, benefits, procedural safeguards and risks, all as more fully described in "*The Combination Transaction — Benefits and Reasons for the Combination Transaction*" and "*Risk Factors*", the Board unanimously determined that the Combination Transaction is in the best interests of the Corporation and is fair to the Shareholders, and the Board unanimously approved the Combination Transaction and unanimously recommends that the Shareholders in favour of the approval of the U.S. Silver Arrangement Resolution.

Q: HAS THE CORPORATION RECEIVED A FAIRNESS OPINION?

A: Cormark has delivered the Fairness Opinion to the Board concluding that, on the basis of the assumptions, limitations and qualifications set forth in the opinion, as of July 9, 2012, the Combination Transaction is fair, from a financial point of view, to Shareholders.

The full text of the Fairness Opinion is attached as Appendix D to this Circular. The Board encourages all Shareholders to read the Fairness Opinion carefully and in its entirety for a description of the matters considered, assumptions made and limitations on the review undertaken. The Fairness Opinion is not intended to be and does not constitute a recommendation to any Shareholder as to how they should vote or act at the Meeting. Please refer to a discussion of Cormark's fees under the heading "*Interests of Experts*".

Q: IS THE CORPORATION AWARE OF ANY "LOCK-UP AGREEMENTS" THAT HAVE BEEN SIGNED IN CONNECTION WITH THE SPECIAL BUSINESS MATTER TO BE VOTED ON AT THE MEETING?

A: Sprott and each of the directors and certain executive officers of U.S. Silver who own Shares, collectively representing 15.2% of the issued outstanding Shares, have entered into separate voting and support agreements with RX Gold pursuant to which they have committed to vote all of their Shares in favour of the Combination Transaction, subject to certain terms and conditions as described under "*The Combination Transaction – Lock-up Agreements*".

Q: WHAT IS THE QUORUM?

A: A quorum for the Meeting will consist of two or more individuals present, in person or represented by proxy, entitled to vote at the Meeting.

Q: HOW DO I VOTE IF I WILL BE ATTENDING THE MEETING IN PERSON?

A: If you are a Registered Shareholder and you intend to be present and vote in person at the Meeting, you do not need to complete or return your form of proxy. Voting in person at the Meeting will automatically cancel any proxy you previously completed. At the Meeting, you should see a representative of Valiant Trust Company, the Corporation's Transfer Agent, for additional information.

Q: HOW DO I VOTE IN ADVANCE BY PROXY?

A: Voting by proxy means that you are giving the person or people named on your form of proxy (your proxyholder) the authority to vote your Shares for you at the Meeting or any adjournment or postponement thereof.

If you are a Registered Shareholder, please complete and return the enclosed form of proxy in the pre-paid return envelope provided. The proxy must be executed by the Shareholder or the attorney of such Shareholder, duly authorized in writing.

If you vote by proxy, the directors and officers who are named on the form of proxy will vote your Shares for you, unless you appoint someone else to be your proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote your Shares. **This individual does not have to be a Shareholder. Write the name of the individual you are appointing in the space provided on the form of proxy. Complete your voting instructions and date and sign the form.** Make sure that the individual you appoint is aware that he or she has been appointed and attends the Meeting. At the Meeting, he or she should see a representative of Valiant Trust Company, the Corporation's Transfer Agent.

Q: HOW WILL MY PROXY BE VOTED?

A: The Shares represented by any proxy received by management will be voted for or against by the proxyholder named in the enclosed form of proxy in accordance with the direction of Shareholders appointing them. **In the absence of any direction to the contrary, it is intended that the Shares represented by proxies received by management will be voted "FOR" the approval of the U.S. Silver Arrangement Resolution.**

Q: HOW CAN A NON-REGISTERED OR BENEFICIAL SHAREHOLDER VOTE?

A: You are a Non-Registered (or beneficial) Shareholder if your bank, trust corporation, securities broker or other financial institution (your nominee) holds your Shares for you. In that case, you will likely not receive a form of proxy.

If you are a Non-Registered Shareholder, your Shares are likely held in the book-entry system operated by CDS. If so, they will not be registered in your name on our records. Unless you instruct your nominee to vote in accordance with their request for voting instructions, they are generally prohibited from voting your Shares, as shares should only be voted upon instructions of the beneficial holder. You may vote your Shares in person at the Meeting or through your nominee by following the instructions provided to you by them.

Applicable regulations in Canada require brokers and other intermediaries to seek voting instructions from Non-Registered Shareholders in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Shareholders in order to ensure that their Shares are voted at the Meeting. Sometimes, the proxy supplied to a Non-Registered Shareholder by its broker is identical to that provided to CDS, as the registered holder.

The majority of brokers now delegate responsibility to Broadridge Financial Solutions, Inc. for obtaining instructions from clients. Broadridge typically mails a scannable voting instruction form in lieu of a form of proxy to Non-Registered Shareholders and provides appropriate instructions respecting voting of Shares to be represented at the Meeting. Please refer to "*General Proxy Matters — Non-Registered Shareholders*" for further details regarding Broadridge voting instructions.

Non-Registered Shareholders who receive voting instructions from their intermediary other than those contained in the voting instruction forms sent by Broadridge should carefully follow the instructions provided by their intermediary to ensure their vote is counted.

A Non-Registered Shareholder may revoke a voting instruction or proxy authorization form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction or proxy authorization form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

Q: WHAT IF AMENDMENTS OR OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

A: The enclosed form of proxy and any voting instructions submitted confer discretionary authority upon the proxyholder named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof and with respect to

amendments to or variations of matters identified in the Notice of Meeting. As at the date hereof, management knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and routine matters incidental to the conduct of the Meeting. If any further or other business is properly brought before the Meeting, it is intended that the persons appointed as proxy will vote on such other business in such manner as such persons then consider to be proper.

Q: MAY I REVOKE MY PROXY?

A: A Registered Shareholder executing the enclosed form of proxy may revoke it at any time before it has been exercised by:

- completing a form of proxy that is dated later than the form of proxy being revoked and mailing it to Valiant Trust Company so that it is received before 5:00 p.m. (Toronto time) on August 2, 2012;
- sending a notice in writing to the Corporate Secretary of the Corporation so that it is received before 5:00 p.m. (Toronto time) August 2, 2012. The notice can be from the Shareholder or an authorized attorney; or
- attending the Meeting and voting your Shares in person.

Questions about the Combination Transaction

Q: WHY ARE THE CORPORATION AND RX GOLD PROPOSING TO COMBINE?

A: The Corporation believes that the Combination Transaction will create potential opportunities for significant resource growth, brownfield development, and operational and head office synergies which will benefit from an executive team with significant executive experience in senior precious metals companies particularly as it pertains to acquiring, exploring, developing and operating mining projects. See "*The Combination Transaction – Benefits and Reasons for the Combination Transaction*".

After the Combination Transaction, the Combined Company will have a combined production base of 2.7 million ounces of silver and 26,500 ounces of gold, with meaningful organic exploration potential at Drumlummon and Silver Valley areas.[1] The geographic concentration of assets should allow for near term focus on improving mine planning and the execution of cost reduction strategies.

The Board believes that the Combined Company will create additional value for shareholders through the acquisition of additional mineral exploration properties helping to minimize exploration risk by attempting to diversify the Combined Company's property portfolio. As the Combined Company's portfolio of properties grows, it is anticipated that there will be a greater emphasis on the exploration of properties, with the long-term goal of developing the properties and achieving commercial production.

In addition, the Corporation currently anticipates that the Combination Transaction will result in additional benefits including those set out under the headings "*The Business Combination – Benefits and Reasons for the Business Combination*" and "*Appendix H — Information about the Combined Company – Description of the Business*". It is currently anticipated that these benefits will increase shareholder value over the mid to long-term. Please also see "*Risk Factors*".

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[1] Based on annualized Q1 2012 productions results.

Q: HOW MANY SHARES WILL BE EXCHANGED IN CONNECTION WITH THE COMBINATION TRANSACTION?

A: If the Combination Transaction is completed, the outstanding common shares of both U.S. Silver and RX Gold will be exchanged for Combined Company Shares, such that the former shareholders of U.S. Silver will hold approximately 70% of the Combined Company Shares and the former shareholders of RX Gold will hold approximately 30% of the Combined Company Shares.

At the Effective Time, upon the terms and subject to the conditions of the Combination Agreement and in accordance with the Arrangements, each Share outstanding immediately prior to the Effective Time held by a Shareholder (other than Dissenting Shareholders) shall be exchanged for 0.67 of a Combined Company Share and each RX Gold Share outstanding immediately prior to the Effective Time held by a RX Gold Shareholder (other than Dissenting Shareholders) shall be exchanged for 0.109 of a Combined Company Share.

Q: WHEN IS IT EXPECTED THE COMBINATION TRANSACTION WILL BE COMPLETED?

A: It is the objective of U.S. Silver and RX Gold to complete the Combination Transaction as soon as practicable after the Meeting. While U.S. Silver currently expects the Combination Transaction to be completed on or about August 13, 2012, it is not possible to specify the precise date on which the Combination Transaction will become effective. Shareholders are advised that the Effective Date of the Combination Transaction could be delayed for a number of reasons.

As provided under the Combination Agreement, the Combination Transaction cannot be completed later than September 30, 2012, unless such date is extended in accordance with the terms of the Combination Agreement.

Q: ARE THERE ANY RISKS IN CONNECTION WITH THE COMBINATION TRANSACTION THAT I SHOULD CONSIDER WHEN DECIDING HOW TO VOTE?

A: Yes. A number of risk factors that you should consider in connection with the Combination Transaction are described in the section of this Circular entitled "*Risk Factors*". Shareholders should carefully consider the risk factors set out in that section as well as consider all other information contained herein and in the Corporation's other public filings before determining how to vote on the matters before the Meeting.

Q: AM I ENTITLED TO DISSENT RIGHTS?

A: Dissent rights are statutory rights that, if applicable under law, enable shareholders to dissent from fundamental changes, such as an amalgamation or plan of arrangement, and to demand that a corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the fundamental change.

Under the *Canada Business Corporations Act*, the holders of Shares are entitled to dissent rights in connection with any of the matters before the Meeting, including the U.S. Silver Arrangement Resolution. See "*Dissent Rights*".

Q: WHO SHOULD I CONTACT IF I HAVE ANY QUESTIONS ABOUT THE MEETING OR THE COMBINATION TRANSACTION?

A: If you have any questions that are not answered by this Circular, or would like additional information, you should contact your professional advisors. You can also contact Phoenix Advisory Partners, the proxy solicitation firm engaged by the Corporation, toll-free at 1-800-240-2133 or outside North America at 201-806-2222 or by email at inquiries@phoenixadvisorypartners.com should you have any questions regarding voting of your Shares.

SUMMARY OF THE COMBINATION TRANSACTION

The following is a summary of certain significant information appearing elsewhere in this Circular. Certain capitalized terms used in this summary are defined in the "Glossary" attached as Appendix A to this Circular. This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, the documents incorporated herein by reference and the attached appendices. ***Shareholders are urged to read this Circular, including the documents incorporated herein by reference and the attached appendices, in their entirety.***

Purpose of the Meeting

At the Meeting, Shareholders will be asked to consider, and if deemed advisable, to approve, with or without variation, the U.S. Silver Arrangement Resolution, the full text of which is attached as Appendix C to this Circular, approving, among other things, the exchange of Shares in connection with a court-approved Plan of Arrangement under section 192 of the Canada Business Corporations Act in order to effect the Combination Transaction with RX Gold in accordance with the terms and conditions of the Combination Agreement, all as more particularly set forth in this Circular. If the Combination Transaction is completed, the outstanding common shares of both U.S. Silver and RX Gold will be exchanged for Combined Company Shares, such that the former shareholders of U.S. Silver will hold approximately 70% of the Combined Company Shares and the former shareholders of RX Gold will hold approximately 30% of the Combined Company Shares.

The Combination Transaction

On June 7, 2012, the Corporation entered into the Combination Agreement which sets out the terms and conditions relating to the Combination Transaction. The provisions of the Combination Agreement are the result of arm's length negotiations conducted among the respective representatives of U.S. Silver and RX Gold. Subject to receipt of the Required Approvals, as set out under the heading "*Required Approvals*", each of U.S. Silver and RX Gold will proceed to file their respective Articles of Arrangement to effect the Combination Transaction.

At the Effective Time, upon the terms and subject to the conditions of the Combination Agreement and in accordance with the Arrangements, the following shall occur and shall be deemed to occur without any further act or formality required on the part of any person:

- each Share outstanding immediately prior to the Effective Time held by a Shareholder (other than Dissenting Shareholders) shall be exchanged for 0.67 of a Combined Company Share;
- each RX Gold Share outstanding immediately prior to the Effective Time held by a RX Gold Shareholder (other than Dissenting Shareholders) shall be exchanged for 0.109 of a Combined Company Share;
- each Option issued and outstanding immediately prior to the Effective Time shall be exchanged for an option issued under the Combined Company Option Plan to purchase the number of Combined Company Shares determined by multiplying the number of Shares subject to the particular Option at the Effective Time by the exchange ratio of 0.67, at an exercise price per Combined Company Share equal to the exercise price per share in the particular Option at the Effective Time divided by the exchange ratio of 0.67; and
- each RX Gold Option issued and outstanding immediately prior to the Effective Time shall be exchanged for an option issued under the Combined Company Option Plan to purchase the number of Combined Company Shares determined by multiplying the number of RX Gold Shares subject to the particular RX Gold Option at the Effective Time by the exchange ratio of 0.109, at an exercise price per Combined Company Share equal to the exercise price per share in the particular RX Gold Option at the Effective Time divided by the exchange ratio of 0.109.

Date, Time and Place of Meeting

The Meeting is scheduled to be held at 10:00 a.m. (Toronto time) on August 7, 2012 at the office of Stikeman, 51st floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B9. The Corporation reserves the

right to adjourn or postpone the Meeting if considered appropriate by the Board, subject to the provisions of the Combination Agreement.

Record Date

The Board has established the record date for the Meeting as the close of business on July 6, 2012. Only Shareholders of record at the close of business on the Record Date will be entitled to receive Notice of the Meeting or any adjournment or postponement thereof, and to vote at the Meeting. No Shareholder becoming a Shareholder of record after that time will be entitled to vote at the Meeting, or any adjournment or postponement thereof.

Recommendation of the Board

The Board has unanimously determined that the Combination Transaction is in the best interest of the Corporation and is fair to Shareholders. Accordingly, the Board has unanimously approved the Combination Transaction and recommends that Shareholders vote in favour of the U.S. Silver Arrangement Resolution.

The Board retained Cormark to assess the Combination Transaction and to provide advice to the Board in connection with the Combination Transaction. Cormark has delivered the Fairness Opinion addressed to the Board concluding that, on the basis of the assumptions, limitations and qualifications set forth in such opinion, as of July 9, 2012, the Combination Transaction is fair, from a financial point of view, to Shareholders.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed and matters considered, and limitations and qualifications on the review undertaken in connection with the opinion, is attached as Appendix D to this Circular. The Fairness Opinion is not intended to be and does not constitute a recommendation to any Shareholder as to how to vote or act at the Meeting.

Registered Shareholders

You are a Registered Shareholder if your name appears on your share certificate. A form of proxy is included in this package if you are a Registered Shareholder.

If you are a Registered Shareholder, you can vote in person at the Meeting or by proxy. Voting by proxy means that you are giving the individual or individuals named on your form of proxy (your proxyholder) the authority to vote your Shares on your behalf at the Meeting or any adjournment or postponement thereof.

How to Vote in Person

If you intend to be present and vote in person at the Meeting, you do not need to complete or return your form of proxy. Voting in person at the Meeting will automatically cancel any proxy you previously completed. At the Meeting, you should see a representative of Valiant Trust Company, the Corporation's Transfer Agent, for additional information.

How to Vote by Proxy

Please complete and return the enclosed form of proxy in the pre-paid return envelope provided. The proxy must be executed by the Shareholder or the attorney of such Shareholder, duly authorized in writing.

If you vote by proxy, the directors and officers who are named on the form of proxy will vote your Shares for you, unless you appoint someone else to be your proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote your Shares. **This individual does not have to be a Shareholder. Write the name of the individual you are appointing in the space provided on the form of proxy. Complete your voting instructions and date and sign the form.** Make sure that the individual you appoint is aware that he or she has been appointed and attends the Meeting. At the Meeting, he or she should see a representative of Valiant Trust Company.

If you are voting your Shares by proxy, the Corporation's Transfer Agent, Valiant Trust Company, must receive your signed proxy by mail at 310-606 4 Street SW, Calgary, Alberta, T2P 9Z9, or by facsimile at 1-855-375-6916, not later than 5:00 p.m. (Toronto time) on August 2, 2012 or, if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second Business Day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof. Failure to properly complete or deposit a proxy may result in its invalidation. Notwithstanding the foregoing, the Chair of the Meeting has sole discretion to accept proxies received after such deadline but is under no obligation to do so.

The Shares represented by any proxy received by management will be voted for or against by the proxyholder named in the enclosed form of proxy in accordance with the direction of Shareholders appointing them. **In the absence of any direction to the contrary, it is intended that the Shares represented by proxies received by management will be voted "FOR" the approval of the U.S. Silver Arrangement Resolution.**

How to Change your Vote

A Registered Shareholder executing the enclosed form of proxy may revoke it at any time before it has been exercised by:

- completing a form of proxy that is dated later than the form of proxy being revoked and mailing it to Valiant Trust Company so that it is received before 5:00 p.m. (Toronto time) on August 2, 2012;
- sending a notice in writing to the Corporate Secretary of the Corporation so that it is received before 5:00 p.m. (Toronto time) August 2, 2012. The notice can be from the Shareholder or an authorized attorney; or
- attending the Meeting and voting the Shares in person.

Non-Registered Shareholders

You are a Non-Registered (or beneficial) Shareholder if your bank, trust corporation, securities broker or other financial institution (your nominee) holds your Shares for you. In that case, you will likely not receive a form of proxy.

If you are a Non-Registered Shareholder, your Shares are likely held in the book-entry system operated by CDS. If so, they will not be registered in your name on our records. Unless you instruct your nominee to vote in accordance with their request for voting instructions, they are generally prohibited from voting your Shares, as shares should only be voted upon instructions of the beneficial holder. You may vote your Shares in person at the Meeting or through your nominee by following the instructions provided to you by them.

If you are not sure whether you are a Registered Shareholder or a Non-Registered Shareholder, please contact the Corporation's Transfer Agent, Valiant Trust Company toll-free at 1-866-313-1872 or by e-mail at inquiries@valianttrust.com

How to Vote by Voting Instruction Form

Applicable regulations in Canada require brokers and other intermediaries to seek voting instructions from Non-Registered Shareholders in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Shareholders in order to ensure that their Shares are voted at the Meeting. Sometimes, the proxy supplied to a Non-Registered Shareholder by its broker is identical to that provided to CDS, as the registered holder. However, in order for such proxy to be valid, it must be properly executed by the financial intermediary holding the Shares and returned to Valiant Trust Company, the Corporation's Transfer Agent, prior to the proxy deposit deadline of 5:00 p.m. (Toronto time) on August 2, 2012 or, if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second Business Day preceding the adjournment(s) or postponement(s) thereof. The majority of brokers now delegate responsibility to Broadridge Financial Solutions, Inc. ("Broadridge") for obtaining instructions from clients. Broadridge typically mails a scannable voting instruction form in lieu of a form of proxy to Non-Registered Shareholders and provides

appropriate instructions respecting voting of Shares to be represented at the Meeting. Voting instruction forms sent by Broadridge can be completed:

By Internet using your 12-digit or 14-digit control number:

- go to www.proxyvote.com

By telephone using your 12-digit or 14-digit control number:

- Shareholders with their Shares held in a Canadian brokerage account, toll-free at 1-800-474-7493 (English) or 1-800-474-7501 (French)
- Shareholders with their Shares held in a U.S. brokerage account, toll-free at 1-800-454-8683

By mail:

- using the enclosed pre-paid envelope

For telephone and Internet voting, Non-Registered Shareholders will need the 12-digit or 14-digit control number found on the voting instruction form. Non-Registered Shareholders who have lost or misplaced their voting instruction form can still vote by obtaining a new 12-digit or 14-digit control number from their broker, securities dealer, trust company or other intermediary.

Non-Registered Shareholders who receive voting instructions from their intermediary other than those contained in the voting instruction form sent by Broadridge should carefully follow the instructions provided by their intermediary to ensure their vote is counted.

Subject to the terms of your voting instruction form, if you do not specify how you want your Shares voted, they will be voted "FOR" the approval of the U.S. Silver Arrangement Resolution.

How to Vote in Person

We do not have access to the names or holdings of our Non-Registered Shareholders. That means you can only vote your Shares in person at the Meeting if you have instructed your nominee to appoint you as proxyholder. To do this, write your name in the space provided on the voting instruction or proxy authorization form provided by your nominee and follow the instructions of your nominee.

If you are a Non-Registered Shareholder and wish to vote in person at the Meeting, please review the voting instructions provided to you or contact your broker or agent well in advance of the Meeting to determine how you can do so. At the Meeting, you should see a representative of Valiant Trust Company.

How to Change your Vote

A Non-Registered Shareholder may revoke a voting instruction or proxy authorization form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction or proxy authorization form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

Required Approvals

U.S. Silver Shareholder Approval

Subject to the Interim Order, the U.S. Silver Arrangement Resolution must be approved by not less than $66^2/_3\%$ of the votes cast by Shareholders present, in person or by proxy, at the Meeting.

In connection with the Combination Transaction, certain officers of U.S. Silver will receive payments contingent upon completion of the Combination Transaction as described under "*Information About U.S. Silver – Interest of Informed Persons in Material Transactions*" in this Circular. The receipt of such payments may be considered to be ''collateral benefits'' received by the relevant officers of U.S. Silver for the purposes of *Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions*. MI 61-101

provides that if a ''related party'' of an issuer (including the issuer's directors and officers) is entitled to receive a collateral benefit as a consequence of a transaction (such as the Combination Transaction), the issuer must obtain minority approval for the proposed transaction, which is approval by a majority of the votes cast by shareholders of the issuer other than those shareholders who are entitled to receive a collateral benefit (together with any related party of those shareholders and any joint actors).

However, MI 61-101 expressly excludes benefits from being ''collateral benefits'' if such benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including that the benefits are disclosed in the disclosure document for the transaction (such as this Circular), and, at the time the transaction is agreed to, the related party and its associated entities (as defined in MI 61-101) beneficially own, or exercise control or direction over, less than 1% of the outstanding equity securities (being, in the case of U.S. Silver, the Shares).

The relevant officers of U.S. Silver who will receive such payments, and their associated entities, each beneficially own, or exercise control or direction over, less than 1% of the outstanding Shares. Accordingly, such officers of U.S. Silver will not be considered to have received a ''collateral benefit'' under MI 61-101 and as such, minority approval by Shareholders at the Meeting is not required under applicable Canadian securities laws.

RX Gold Shareholder Approval

Subject to its interim order, RX Gold must hold a special meeting of its shareholders in order to vote on a special resolution approving the Combination Transaction. To be effective, the RX Gold Arrangement Resolution must be approved by not less than $66^2/_3\%$ of the votes cast by RX Gold Shareholders present, in person or by proxy, at the RX Gold Meeting.

Court Approvals

An arrangement under the CBCA requires Court approval. Prior to mailing this Circular, U.S. Silver obtained the Interim Order from the Superior Court of Justice of the province of Ontario which permits the calling and holding of the Meeting and other procedural matters, and filed a Notice of Hearing of Petition for the Final Order to approve the U.S. Silver Arrangement. Copies of the Interim Order and the Notice of Hearing of Petition are attached as Appendix E and Appendix G to this Circular, respectively.

It is expected that, subject to the approval of the U.S. Silver Arrangement Resolution by Shareholders at the Meeting, an application will be made to the Court for the hearing on the Final Order shortly after the Meeting. At the hearing on the Final Order, the Court will determine whether to approve the U.S. Silver Arrangement in accordance with the legal requirements and the evidence before the Court. At such time, the Court will consider, among other things, the fairness of the terms and conditions of the U.S. Silver Arrangement.

If the RX Gold Shareholder Approval is obtained, RX Gold will also apply to the Court for a hearing on the RX Gold Final Order. It is anticipated such hearing will be held on the same day as the Final Order is considered.

Stock Exchange Approval

It is a condition of the Combination Transaction that the TSX shall have conditionally approved the listing or the substitutional listing of the Combined Company Shares. Prior to the mailing of this Circular, the Corporation applied for, and the TSX provided, conditional approval for the substitutional listing of the Combined Company Shares on the TSX under the stock symbol "USA", subject to the Combined Company fulfilling the normal listing requirements of the TSX. However, there can be no assurance when, or if, the Combined Company Shares will be listed on the TSX or on any other stock exchange.

Prior to the mailing of this Circular, Stock Exchange Approval was received. See "*Required Approvals – Stock Exchange Approval*".

Anticipated Timing

It is the objective of U.S. Silver and RX Gold to complete the Combination Transaction as soon as practicable after the Meeting. While U.S. Silver currently expects the Combination Transaction to be completed on or about August 13, 2012, it is not possible to specify the precise date on which both the U.S. Silver Arrangement and RX Gold Arrangement will become effective. Shareholders are advised that the Effective Date could be delayed for a number of reasons.

As provided under the Combination Agreement, the Combination Transaction cannot be completed later than September 30, 2012 (the "End Date"), unless such End Date is extended in accordance with terms of the Combination Agreement. See "*The Combination Transaction – The Combination Agreement – Termination and Termination Fee*".

Information about RX Gold

RX Gold is an exploration company engaged in the acquisition, exploration, evaluation and development of precious metals mineral properties in North America. RX Gold's flagship property is the 100%-owned Drumlummon mine near the town of Marysville in Lewis and Clark County, Montana.

RX Gold is listed on the TSX-V effective August 4, 2010 and trades under the symbol "RXE". RX Gold is also listed on the OTCQX International effective October 27, 2010 and trades under the symbol "RXEXF". RX Gold is a reporting issuer in Ontario, British Columbia and Alberta. See *"Appendix I – Information About RX Gold"*.

Information about the Combined Company

The Combined Company was incorporated under the OBCA on June 6, 2012 as a wholly-owned subsidiary of RX Gold. At the Effective Time, the Combined Company will cease to be a wholly-owned subsidiary of RX Gold and will acquire all of the outstanding RX Gold Shares and all of the outstanding Shares in exchange for the issuance of Combined Company Shares. Following the Combination Transaction, it is expected that approximately 30% of the approximately 60 million Combined Company Shares outstanding will be owned by former RX Gold Shareholders and approximately 70% of the Combined Company Shares will be owned by former shareholders of U.S. Silver.

The Combined Company is currently not a reporting issuer or the equivalent in any jurisdiction and is not listed on any stock exchange. Upon completion of the Combination Transaction, the Combined Company expects to become a reporting issuer in certain provinces of Canada. The Combined Company Shares to be issued pursuant to the Combination Transaction are expected to be listed on the TSX under the symbol "USA". See *"Appendix H – Information About the Combined Company"*.

Risk Factors

See "*Risk Factors*" in this Circular for a discussion of some of the risk factors that should be considered by Shareholders, in conjunction with the other information contained in this Circular, before voting.

U.S. SILVER DOCUMENTS INCORPORATED BY REFERENCE

Information in respect of U.S. Silver has been incorporated by reference in this Circular from documents filed with Canadian Securities Administrators. Copies of the documents incorporated by reference in this Circular may be obtained, free of charge, from the Corporation's profile on SEDAR at www.sedar.com. The following documents are specifically incorporated by reference into, and form an integral part of, this Circular:

- the Corporation's annual information form dated March 28, 2012 in respect of the fiscal year ended December 31, 2011 (the "Annual Information Form");
- the Corporation's audited consolidated financial statements for the fiscal year ended December 31, 2011 together with the notes thereto and the accompanying auditor report thereon;
- management's discussion and analysis of results of operations and financial condition of the Corporation for the fiscal year ended December 31, 2011;
- the Corporation's unaudited interim consolidated financial statements for the three months ended March 31, 2012 together with the notes thereto except for the Notice of No Auditor Review of Interim Financial Statements;
- management's discussion and analysis of results of operations and financial condition of the Corporation for the three months ended March 31, 2012; and
- the material change report issued by the Corporation on June 15, 2012, in respect of the announcement of the Combination Transaction.

Any document of the type referred to in the preceding paragraph (excluding confidential material change reports) filed by the Corporation with Canadian Securities Administrators after the date of this Circular and prior to the Meeting shall be deemed to be incorporated by reference herein. Any statement contained in a document incorporated, or deemed to be incorporated, by reference in this Circular or contained in this Circular is deemed to be modified or superseded, for purposes of this Circular, to the extent that a statement contained in this Circular or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Circular.

GENERAL PROXY INFORMATION

As a Shareholder, it is very important that you read this information carefully and then vote your Shares, either by proxy or voting instruction form or by attending the Meeting.

Date, Time and Place of Meeting

The Meeting is scheduled to be held on August 7, 2012 at the office of Stikeman, 51st floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B9 at 10:00 a.m. (Toronto time) for the purposes set forth in the Notice of Meeting. The Corporation reserves the right to adjourn or postpone the Meeting if considered appropriate by the Board, subject to the provisions of the Combination Agreement.

Record Date

The Board has established the record date for the Meeting as the close of business on July 6, 2012 (the "Record Date"). Only Shareholders of record at the close of business on the Record Date will be entitled to receive Notice of the Meeting or any adjournment or postponement thereof, and to vote at the Meeting. No Shareholder becoming a Shareholder of record after that time will be entitled to vote at the Meeting, or any adjournment or postponement thereof.

Quorum

Pursuant to the Interim Order, a quorum for the Meeting will consist of two or more individuals present, in person or represented by proxy, entitled to vote at the Meeting.

Shareholders Entitled to Vote

As of the date of this Circular, there were 61,204,002 Shares outstanding and entitled to vote at the Meeting. See "*Voting Shares and Principal Shareholders*".

Solicitation of Proxies

The information contained in this Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of U.S. Silver to be used at the Meeting for the purposes set forth in the Notice of Meeting. Management will solicit proxies primarily by mail, but proxies may also be solicited by telephone, email, facsimile, in writing or in person by our directors, officers, employees and agents. Phoenix Advisory Partners has been retained by the Corporation to provide proxy solicitation services at a fee of $30,000 plus expenses. The cost of solicitation services will be borne by the Corporation. Phoenix Advisory Partners can be contacted toll-free at 1-800-240-2133 or outside North America at 201-806-2222 or by email at inquiries@phoenixadvisorypartners.com.

Registered Shareholders

You are a registered shareholder if your name appears on your share certificate (a "Registered Shareholder"). A form of proxy is included in this package if you are a Registered Shareholder.

If you are a Registered Shareholder, you can vote in person at the Meeting or by proxy. Voting by proxy means that you are giving the individual or individuals named on your form of proxy (your proxyholder) the authority to vote your Shares on your behalf at the Meeting or any adjournment or postponement thereof. See "*Special Business of the Meeting*".

How to Vote in Person

If you intend to be present and vote in person at the Meeting, you do not need to complete or return your form of proxy. Voting in person at the Meeting will automatically cancel any proxy you previously completed. At the Meeting, you should see a representative of Valiant Trust Company, the Corporation's Transfer Agent, for additional information.

How to Vote by Proxy

Please complete and return the enclosed form of proxy in the pre-paid return envelope provided. The proxy must be executed by the Shareholder or the attorney of such Shareholder, duly authorized in writing.

If you vote by proxy, the directors and officers who are named on the form of proxy will vote your Shares for you, unless you appoint someone else to be your proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote your Shares. **This individual does not have to be a Shareholder. Write the name of the individual you are appointing in the space provided on the form of proxy. Complete your voting instructions and date and sign the form.** Make sure that the individual you appoint is aware that he or she has been appointed and attends the Meeting. At the Meeting, he or she should see a representative of Valiant Trust Company.

If you are voting your Shares by proxy, the Corporation's Transfer Agent, Valiant Trust Company, must receive your signed proxy by mail at 310-606 4 Street SW, Calgary, Alberta, T2P 9Z9, or by facsimile at 1-855-375-6916, not later than 5:00 p.m. (Toronto time) on August 2, 2012 or, if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second Business Day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof. Failure to properly complete or deposit a proxy may result in its invalidation. Notwithstanding the foregoing, the Chair of the Meeting has sole discretion to accept proxies received after such deadline but is under no obligation to do so.

The Shares represented by any proxy received by management will be voted for or against by the proxyholder named in the enclosed form of proxy in accordance with the direction of Shareholders appointing them. **In the absence of any direction to the contrary, it is intended that the Shares represented by proxies received by management will be voted "FOR" the approval of the U.S. Silver Arrangement Resolution.**

How to Change your Vote

A Registered Shareholder executing the enclosed form of proxy may revoke it at any time before it has been exercised by:

- completing a form of proxy that is dated later than the form of proxy being revoked and mailing it to Valiant Trust Company so that it is received before 5:00 p.m. (Toronto time) on August 2, 2012;
- sending a notice in writing to the Corporate Secretary of the Corporation so that it is received before 5:00 p.m. (Toronto time) August 2, 2012. The notice can be from the Shareholder or an authorized attorney; or
- attending the Meeting and voting the Shares in person.

Non-Registered Shareholders

You are a non-registered (or beneficial) Shareholder if your bank, trust corporation, securities broker or other financial institution (your nominee) holds your Shares for you (a "Non-Registered Shareholder"). In that case, you will likely not receive a form of proxy.

If you are a Non-Registered Shareholder, your Shares are likely held in the book-entry system operated by CDS. If so, they will not be registered in your name on our records. Unless you instruct your nominee to vote in accordance with their request for voting instructions, they are generally prohibited from voting your Shares, as shares should only be voted upon instructions of the beneficial holder. You may vote your Shares in person at the Meeting or through your nominee by following the instructions provided to you by them.

If you are not sure whether you are a Registered Shareholder or a Non-Registered Shareholder, please contact the Corporation's Transfer Agent, Valiant Trust Company toll-free at 1-866-313-1872 or by e-mail at inquiries@valianttrust.com.

How to Vote by Voting Instruction Form

Applicable regulations in Canada require brokers and other intermediaries to seek voting instructions from Non-Registered Shareholders in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Shareholders in order to ensure that their Shares are voted at the Meeting. Sometimes, the proxy supplied to a Non-Registered Shareholder by its broker is identical to that provided to CDS, as the registered holder. However, in order for such proxy to be valid, it must be properly executed by the financial intermediary holding the Shares and returned to Valiant Trust Company, the Corporation's Transfer Agent, prior to the proxy deposit deadline of 5:00 p.m. (Toronto time) on August 2, 2012 or, if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second Business Day preceding the adjournment(s) or postponement(s) thereof. The majority of brokers now delegate responsibility to Broadridge Financial Solutions, Inc. ("Broadridge") for obtaining instructions from clients. Broadridge typically mails a scannable voting instruction form in lieu of a form of proxy to Non-Registered Shareholders and provides appropriate instructions respecting voting of Shares to be represented at the Meeting. Voting instruction forms sent by Broadridge can be completed:

By Internet using your 12-digit or 14 digit control number:

- go to www.proxyvote.com

By telephone using your 12-digit or 14 digit control number:

- Shareholders with their Shares held in a Canadian brokerage account, toll-free at 1-800-474-7493 (English) or 1-800-474-7501 (French)
- Shareholders with their Shares held in a U.S. brokerage account, toll-free at 1-800-454-8683

By mail:

- using the enclosed pre-paid envelope

For telephone and Internet voting, Non-Registered Shareholders will need the 12-digit or 14-digit control number found on the voting instruction form. Non-Registered Shareholders who have lost or misplaced their voting instruction form can still vote by obtaining a new 12-digit or 14-digit control number from their broker, securities dealer, trust company or other intermediary.

Non-Registered Shareholders who receive voting instructions from their intermediary other than those contained in the voting instruction form sent by Broadridge should carefully follow the instructions provided by their intermediary to ensure their vote is counted.

Subject to the terms of your voting instruction form, if you do not specify how you want your Shares voted, they will be voted "FOR" the approval of the U.S. Silver Arrangement Resolution.

How to Vote in Person

We do not have access to the names or holdings of our Non-Registered Shareholders. That means you can only vote your Shares in person at the Meeting if you have instructed your nominee to appoint you as proxyholder. To do this, write your name in the space provided on the voting instruction or proxy authorization form provided by your nominee and follow the instructions of your nominee.

If you are a Non-Registered Shareholder and wish to vote in person at the Meeting, please review the voting instructions provided to you or contact your broker or agent well in advance of the Meeting to determine how you can do so. At the Meeting, you should see a representative of Valiant Trust Company.

How to Change your Vote

A Non-Registered Shareholder may revoke a voting instruction or proxy authorization form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction or proxy authorization form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

Exercise of Discretion by Proxyholders

The enclosed form of proxy and any voting instructions submitted confer discretionary authority upon the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof and with respect to amendments to or variations of matters identified in the Notice of Meeting. As at the date hereof, management knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and routine matters incidental to the conduct of the Meeting. If any further or other business is properly brought before the Meeting, it is intended that the persons appointed as proxy will vote on such other business in such manner as such persons then consider to be proper.

SPECIAL BUSINESS OF THE MEETING

U.S. Silver Arrangement Resolution

At the Meeting, Shareholders will be asked to consider and vote on a special resolution (the "U.S. Silver Arrangement Resolution") approving the Combination Transaction. To be effective, the U.S. Silver Arrangement Resolution must be approved by not less than $66^2/_3\%$ of the votes cast by Shareholders voting in person or by proxy at the Meeting. Please see "*Required Approvals – Shareholder Approvals*". A copy of the U.S. Silver Arrangement Resolution is set out in Appendix C to this Circular.

Certain Shareholders holding an aggregate of 9,257,450 Shares, representing approximately 15.2% of Shares entitled to vote at the Meeting, have agreed, subject to certain conditions, to vote in favour of the U.S. Silver

Arrangement Resolution. Included among these Shareholders is Sprott Asset Management LP ("Sprott"), the Corporation's largest shareholder. See "*The Combination Transaction – Lock-up Agreements*".

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

As at the Record Date, the Corporation had 61,204,002 Shares outstanding. Each Share carries the right to one vote at the Meeting.

Ownership of Shares and Options

To the knowledge of the directors and executive officers of the Corporation, the following is the only person who beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than ten percent (10%) of the voting rights attached to any class of voting Shares of the Corporation:

Name of Shareholder	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Sprott Asset Management LP[(1)]	8,798,850	14.4%

Note:

(1) Based on disclosure of Shares set out on SEDI as of the Record Date.

Interest of Certain Persons in Matters to be acted Upon

To the knowledge of the Corporation, no director or executive officer of the Corporation, nor any person who has held such position since the beginning of the Corporation's last completed financial year, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of Shares or otherwise, in any matter to be acted on at the Meeting, except for any interest arising from the ownership of Shares where the Shareholder will receive no extra or special benefit or advantage not shared on a *pro rata* basis by all Shareholders, other than as set out in "*Information About U.S. Silver – Interest of Informed Persons in Material Transactions*" and elsewhere in this Circular.

THE COMBINATION TRANSACTION

Background to the Combination Agreement

The following is a summary of the principal events leading up to the proposed Combination Transaction, the finalization of the Combination Agreement and the meetings, discussions and other actions between the parties that preceded the public announcement of the proposed Combination Transaction and the calling of the Meeting.

During 2011 and the first half of 2012, U.S. Silver, with the assistance of Cormark, reviewed a number of possible business combination opportunities, looking to expand and diversify its asset base and potentially add near term production, lower cash costs, and increase its resource base. To that end, U.S. Silver engaged in numerous informal discussions with various companies to gauge their interest in exploring such opportunities. U.S. Silver entered into confidentiality agreements with a small number of parties during such period pursuant to which it disclosed certain information regarding its business and assets, on a confidential basis.

U.S. Silver and RX Gold first explored the possibility of a business combination transaction between the parties at the end of April 2012. On April 26, 2012, an introductory meeting between Gordon Pridham, U.S. Silver's Interim Chief Executive Officer, and Darren Blasutti, RX Gold's Chief Executive Officer, was arranged by Cormark. Cormark had also been in contact with RX Gold in connection with various acquisition and other strategic opportunities. The geographic proximity of the two companies' assets along with both companies' relative strengths suggested a potential strategic fit between the two entities. A follow-up informal meeting took place at RX Gold's office on April 30, 2012, among Darren Blasutti, Gordon Pridham and Chris Hopkins, U.S. Silver's Chief Financial Officer, to discuss whether corporate strategies were aligned.

Discussions concerning confidentiality and standstill matters ensued between U.S. Silver and RX Gold and, on May 3, 2012, the parties entered into a confidentiality agreement (the "Confidentiality Agreement"), which included a mutual standstill obligation. Following the execution of the Confidentiality Agreement, each of U.S. Silver and RX Gold began disclosing certain information regarding its business and assets to the other party.

At a regularly scheduled meeting of the Board on May 9, 2012, the Board received an update from Gordon Pridham in respect of a number of possible merger and acquisition opportunities that were being considered and the Board agreed that management of U.S. Silver should continue discussions, and advance opportunities, with certain companies.

On May 17, 2012, another informal meeting took place among Messrs. Pridham, Hopkins and Blasutti and representatives of Cormark, resulting in the preparation of a non-binding draft term sheet regarding a potential business combination. U.S. Silver and RX Gold conducted site visits to the other party's properties during the week of May 21.

The Board met on May 27, 2012 to receive an update from management on the possible merger and acquisition opportunities, potential deal terms, and the preliminary results of the mutual site visits between U.S. Silver and RX Gold. At the meeting, the Board was also provided with a presentation prepared by Cormark setting out preliminary analysis in respect of a potential merger of the two companies. At this meeting, the Board authorized Gordon Pridham to continue negotiations with RX Gold.

Following the meeting, U.S. Silver formally retained Cormark as financial advisor to the Board, and Stikeman Elliott LLP as legal counsel, in connection with the proposed Combination Transaction. U.S. Silver and RX Gold also entered into a mutual exclusivity agreement on May 29, 2012 pursuant to which the parties agreed to deal exclusively with one another until June 14, 2012 in order to enable the parties to negotiate a definitive agreement and complete their due diligence process.

On May 30, 2012, representatives of management of U.S. Silver and RX Gold and their respective advisors met to discuss the structure of the proposed Combination Transaction and the framework for a definitive agreement. Between May 30 and June 7, 2012, U.S. Silver and RX Gold, together with their respective legal and financial advisers, continued negotiations and discussions regarding terms and structure of the proposed transaction, continued to conduct due diligence and proceeded to draft, negotiate and settle the terms of the Combination Agreement.

On June 1, 2012, Messrs. Pridham and Blasutti along with a representative of Cormark met with representatives of Sprott, one of the largest shareholders in U.S. Silver and RX Gold, to discuss entering into a lock-up agreement supporting the proposed Combination Transaction.

On June 4, 2012, Gordon Pridham and Lorie Waisberg, Chairman of RX Gold, met at U.S. Silver's office to discuss terms of the proposed transaction, including, among others, the composition of the board of directors of the combined business.

The Board met on June 1 and 5, 2012 to receive updates from management and its advisors on the terms and status of the proposed Combination Transaction and, in particular, the Combination Agreement.

The board of directors of U.S. Silver and RX Gold both met independently on June 7, 2012 to consider (and ultimately approve) the proposed Combination Transaction.

In addition to receiving an update from management and its legal advisors, Cormark presented to the Board its view as to the fairness of the proposed Combination Transaction, from a financial perspective, to Shareholders. For the reasons described under "*– Benefits and Reasons for the Combination Transaction*", the Board unanimously determined that the proposed Combination Transaction was in the best interests of U.S. Silver and fair from a financial point of view to the Shareholders, unanimously approved entering into the Combination Agreement and unanimously resolved to recommend that Shareholders vote IN FAVOUR of the U.S. Silver Arrangement Resolution.

The Combination Agreement was finalized and was executed by each of U.S. Silver and RX Gold after the close of trading on the TSX and TSX-V on June 7, 2012, and the parties jointly announced the proposed Combination Transaction shortly thereafter that day.

Recommendation of the Board

The Board has unanimously determined that the Combination Transaction is in the best interest of the Corporation and is fair to Shareholders. Accordingly, the Board has unanimously approved the Combination Transaction and recommends that Shareholders vote in favour of the U.S. Silver Arrangement Resolution.

Benefits and Reasons for the Combination Transaction

In reaching its conclusions and in making the recommendation set out above, the Board considered a number of substantive factors and benefits including the following:

- *Increased Production Base*. The Combined Company will have an initial combined production base of 2.7 million ounces of silver and 26,500 ounces of gold, with meaningful organic exploration potential at Drumlummon and Silver Valley areas.[2] The relative geographic proximity of mine assets should allow for near term focus on improving mine planning and execution of cost reduction strategies.
- *Exposure to RX Gold Properties*. Shareholders are being provided with an opportunity to receive Combined Company Shares for their Shares and thereby maintain their holdings in U.S. Silver's properties (including the Galena and Coeur mines) through the Combined Company, as well as participation in the gold and silver assets of RX Gold, including the Drumlummon mine, which has historically produced more than 1 million ounces of gold and 12 million ounces of silver.
- S*trong Management Team.* Combining U.S. Silver and RX Gold will result in an executive team with significant executive experience in senior precious metals companies particularly as it pertains to acquiring, exploring, developing and operating mining projects, supported by a seasoned and experienced board of directors.
- *Transaction Presents Opportunities for Growth and Synergies*. Potential opportunities for significant resource growth, brownfield development and operational and head office synergies.
- *Shareholder Liquidity and Access to Capital Markets*. The Combination Transaction is expected to create a combined company with a larger market capitalization, which is expected to enhance trading liquidity and improve access to capital markets to support growth through opportunistic and accretive acquisitions.
- *Receipt of Fairness Opinion*. Prior to approving the Combination Transaction, the Board considered the analysis of Cormark as to the fairness of the Combination Transaction, from a financial point of view, to Shareholders. See "– *Fairness Opinion*".
- *Implied Premium.* As a result of the effective ownership split, Shareholders will receive an implied premium of approximately 45% based on the closing price of $1.46 for the Shares on June 6, 2012, the date prior to the public announcement of the proposed Combination Transaction.
- *Execution of Support Agreements by Certain Shareholders of Both Parties*. Unanimous support and lock ups of the Board and members of management of both U.S. Silver and RX Gold who hold shares, as well as Sprott supporting the Combination Transaction. Sprott is the largest shareholder of both companies, holding approximately 14.4% of issued and outstanding Shares and approximately 8% of issued and outstanding RX Gold Shares.
- *Current Conditions of Both Parties*. The respective financial condition, results of operations, businesses, plans and prospects of U.S. Silver and RX Gold and current industry, economic, market and regulatory conditions.

In addition, the Board observed that a number of procedural safeguards were present to ensure the fairness of the Combination Transaction to the Corporation, the Shareholders and other stakeholders, and to permit the Board to represent effectively the interests of the Corporation, its Shareholders and other stakeholders, including the following:

- The Corporation undertook a due diligence process covering legal, financial and operational aspects of RX Gold's business.

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[2] Based on annualized Q1 2012 production results.

- The Board retained and received advice from experienced and qualified financial and legal advisors to assist in evaluating, negotiating and recommending the terms of the Combination Agreement and related agreements.
- The terms of the Combination Agreement and related agreements are the result of arm's length negotiations with U.S. Silver and RX Gold.
- Under and subject to the terms of the Combination Agreement, the Board is able to consider (in accordance with the provisions of the Combination Agreement) any unsolicited *bona fide* Acquisition Proposal that may be a Superior Proposal and approve or recommend to Shareholders, or enter into an agreement in respect of, a Superior Proposal.
- The U.S. Silver Arrangement Resolution must be approved by not less than $66^2/_3\%$ of the votes cast at the Meeting.
- The U.S. Silver Arrangement must be approved by the Court which will consider, among other things, the fairness of the U.S. Silver Arrangement.
- Shareholders have the right to dissent to the U.S. Silver Arrangement.

In the course of its deliberations, the Board also identified and considered a variety of risks (as described in greater detail under "*Risk Factors*") and potentially negative factors in connection with the Combination Transaction, including, but not limited to:

Analysis of Risks

- The Combined Company Shares issued on closing of the Combination Transaction may have a market value different than the Shares at the time of announcement of the Combination Transaction.
- U.S. Silver has not verified the reliability of the information regarding RX Gold included in this Circular and information not known to U.S. Silver may result in unanticipated liabilities or expenses, increase the cost of integrating the businesses of U.S. Silver and RX Gold or adversely affect the operational plans of the Combined Company and its results of operations and financial condition.
- The Combined Company may not realize the benefits currently anticipated due to potential challenges associated with integrating the operations and personnel of U.S. Silver and RX Gold. The Combined Company may not realize the benefits of its new projects, may be subject to significant operating risks associated with its expanded operations and portfolio of projects, and will be subject to a broad range of environmental laws and regulations and associated costs and liabilities.
- If the Combination Transaction fails to close for any reason other than the acceptance by RX Gold of a Superior Proposal, U.S. Silver will be required to absorb its costs of the Combination Transaction which could have an adverse impact on U.S. Silver and the value of the Shares.

After carefully weighing all of the foregoing factors, the Board unanimously determined that the Combination Transaction is in the best interest of the Corporation and is fair to the Shareholders, and the Board unanimously approved the Combination Transaction and unanimously recommends that Shareholders vote in favour of the U.S. Silver Arrangement Resolution. The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive but includes the material factors considered by the Board. In view of the wide variety of factors considered, the Board did not find it practical to, nor did they attempt to, quantify or otherwise assign relative weight to the specific factors they considered in reaching their decisions. Furthermore, individual members of the Board may have given different weight to different factors. The Board considered this information and these factors as a whole and, as a result, found the relevant information and factors to be favourable to, and in support of, their determinations and recommendations.

Fairness Opinion

The Board retained Cormark to assess the Combination Transaction and to provide advice to the Board in connection with the Combination Transaction. Cormark has delivered the Fairness Opinion addressed to the Board concluding that, on the basis of the assumptions, limitations and qualifications set forth in such opinion, as of July 9, 2012, the Combination Transaction is fair, from a financial point of view, to Shareholders.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed and matters considered, and limitations and qualifications on the review undertaken in connection with the opinion, is attached as Appendix D to this Circular. The Fairness Opinion is not intended to be and does not constitute a recommendation to any Shareholder as to how to vote or act at the Meeting. The Fairness Opinion was one of a number of factors taken into consideration by the Board in considering the Combination Transaction. This summary of the Fairness Opinion is qualified in its entirety by reference to the full text of the Fairness Opinion and Shareholders are urged to read the Fairness Opinion in its entirety.

Please refer to the discussion of Cormark's fees under the heading "*Interests of Experts*".

The Combination Transaction

Upon completion of the Combination Transaction, the outstanding common shares of both U.S. Silver and RX Gold will be exchanged for Combined Company Shares, such that the former shareholders of U.S. Silver will hold approximately 70% of the approximately 60 million Combined Company Shares that will be outstanding and the former shareholders of RX Gold will hold approximately 30% of the Combined Company Shares. The Combined Company was incorporated as U.S. Silver & Gold Inc. on June 6, 2012 under the OBCA in order to facilitate and effect the Combination Transaction as a party to each one of the two Arrangements described below. For additional information about the Combined Company, please see the discussion under the heading "*Information About the Combined Company*" in Appendix H.

Subject to receipt of the Required Approvals, as set out under the heading "*Required Approvals*", each of U.S. Silver and RX Gold will proceed to file Articles of Arrangement to effect the Combination Transaction. At the Effective Time, upon the terms and subject to the conditions of the Combination Agreement and in accordance with the Arrangements, the following shall occur and shall be deemed to occur without any further act or formality required on the part of any person:

- each Share outstanding immediately prior to the Effective Time held by a Shareholder (other than Dissenting Shareholders) shall be exchanged for 0.67 of a Combined Company Share;
- each RX Gold Share outstanding immediately prior to the Effective Time held by a RX Gold Shareholder (other than dissenting RX Gold Shareholders) shall be exchanged for 0.109 of a Combined Company Share;
- each Option issued and outstanding immediately prior to the Effective Time shall be exchanged for an option issued under the Combined Company Option Plan to purchase the number of Combined Company Shares determined by multiplying the number of Shares subject to the particular Option at the Effective Time by the exchange ratio of 0.67, at an exercise price per Combined Company Share equal to the exercise price per share in the particular Option at the Effective Time divided by the exchange ratio of 0.67; and
- each RX Gold Option issued and outstanding immediately prior to the Effective Time shall be exchanged for an option issued under the Combined Company Option Plan to purchase the number of Combined Company Shares determined by multiplying the number of RX Gold Shares subject to the particular RX Gold Option at the Effective Time by the exchange ratio of 0.109, at an exercise price per Combined Company Share equal to the exercise price per share in the particular RX Gold Option at the Effective Time divided by the exchange ratio of 0.109.

For additional information regarding the treatment of outstanding Options and Warrants, please refer to the discussion under the heading "*– Treatment of Outstanding Options*" and "*– Treatment of Outstanding Warrants*".

The Combination Agreement

On June 7, 2012, the Corporation entered into the Combination Agreement which sets out the terms and conditions relating to the Combination Transaction. The provisions of the Combination Agreement are the result of arm's length negotiations conducted among the respective representatives of U.S. Silver and RX Gold. The following discussion describes certain material provisions of the Combination Agreement and is subject to, and qualified in its entirety by reference to, the Combination Agreement, a copy of which is available under the Corporation's profile on SEDAR at www.sedar.com. All capitalized terms used in this summary and not otherwise defined in the "*Glossary*" attached hereto as Appendix A have the meaning ascribed to them in the Combination Agreement. Shareholders are urged to read the Combination Agreement carefully and in its entirety.

Conditions

U.S. Silver and RX Gold have agreed that the Combination Transaction will not become effective until the following conditions (among others) have been fulfilled or waived as permitted by the Combination Agreement:

- each party shall have obtained its respective interim order and final order on terms and conditions consistent with the Combination Agreement, and such interim orders and final orders shall not have been set aside or modified on terms not acceptable to each of the parties;
- the U.S. Silver Arrangement Resolution shall have been approved by Shareholders at the Meeting in accordance with the Interim Order;
- the RX Gold Arrangement Resolution shall have been approved by RX Gold Shareholders at the RX Gold Meeting in accordance with RX Gold's interim order;
- there shall not be in force any Law and no Governmental Authority shall have issued any order or decree restraining or prohibiting the Combination Transaction;
- a consent from RX Gold's lenders under its senior secured facility dated November 8, 2011 in respect of the change of control of RX Gold shall have been received on commercially reasonable terms;
- the TSX Venture Exchange shall have accepted notice of the RX Gold Arrangement and the TSX shall have conditionally approved the substitutional listing of the Combined Company Shares;
- the holders of not more than 7% of the Shares shall have validly exercised their Dissent Rights and the holders of not more than 7% of the RX Gold Shares shall have validly exercised their Dissent Rights;
- the Combination Agreement has not been terminated in accordance with its terms; and
- the Governance Arrangements, as more fully described under the heading "*Information About the Combined Company*", shall become effective.

The foregoing conditions are for the mutual benefit of each of U.S. Silver and RX Gold and may be waived, in whole or in part, by mutual consent of each of the parties at any time. In addition, the obligation of each party to complete the Combination Transaction is subject to the fulfillment by the other party of the following conditions, among others, on or before the Effective Date or such other time as specified below:

- (i) the representations and warranties made by the other party in the Combination Agreement (other than the representation made in respect of such party's capitalization as of June 7, 2012) shall be true and correct as of the Effective Date as if made on and as of such date without regard to any materiality or Material Adverse Effect qualifiers (except to the extent such representations and warranties were made as of a specified date, the accuracy of which shall be determined as of such specified date, or except as affected by transactions contemplated or permitted by the Combination Agreement), except for any breaches of representations and warranties which individually or in the aggregate would not have, or would not reasonably be expected to have, a Material Adverse Effect on the other party or materially impede the completion of the Combination Transaction and (ii) the representations and warranties made by the other party in respect of its capitalization as of June 7, 2012 shall be true and correct in all material respects as of that date;
- the other party shall have complied in all material respects with each of its covenants contained in the Combination Agreement; and
- from June 7, 2012 and up to and including the Effective Date, there shall have been no, and there shall not have been announced any, Material Adverse Effect in respect of the other party.

Representations and Warranties

The Combination Agreement contains mutual representations and warranties of each of U.S. Silver and RX Gold customary for a transaction of this type relating to, among other things: (i) board approval and recommendation of the Combination Transaction, (ii) corporate organization, (iii) capitalization, (iv) authority to enter into the Combination Agreement, (v) non-contravention of agreements, obligations or laws, (vi) enforceability of obligations, (vii) no events of default, (viii) absence of certain changes or events, (ix) employment matters and benefit plans, (x) financial statements, (xi) books and records, (xii) litigation, (xiii) environmental matters, (xiv) insurance policies, (xv) tax

matters, (xvi) real property, (xvii) mineral reserves and resources, (xviii) securities filings, (xix) compliance with applicable laws, (xx) licenses, permits, certificates, orders, grants and other authorizations, (xxi) material contracts, (xxii) Canadian reporting issuer status and (xxiii) foreign private issuer status under U.S. Securities Laws.

The representations and warranties made by U.S. Silver and RX Gold, respectively, expire and will be terminated and extinguished on the Effective Date.

Covenants

In the Combination Agreement, each of U.S. Silver and RX Gold have agreed to certain customary negative and affirmative covenants relating to the operation of their respective businesses between June 7, 2012 and the Effective Date. Each party has covenanted in favour of the other that it will, among other things, carry on its business in the ordinary course and use its commercially reasonable efforts to maintain its goodwill, preserve its business and its relationships and to satisfy (or cause the satisfaction of) the conditions to its obligations set out in the Combination Agreement and take all other action and to do all other things necessary, proper or advisable under all applicable laws to complete the Combination Transaction. Subject to certain conditions, the parties will keep each other reasonably informed as to the material decisions required to be made or actions required to be taken with respect to the operation of the respective businesses. Each party has also agreed to certain restrictions on its activities, including, among other things, limitations on its financing activities, changes to its capital structure and the capital structure of its subsidiaries, its ability to dispose of certain material assets and its ability to enter into certain material contracts or transactions. Each party must also, among other things, use commercially reasonable efforts to cause its current insurance policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless, subject to certain conditions, simultaneously with such termination, cancellation or lapse, replacement policies providing coverage equal to or greater than the coverage under the terminated, cancelled or lapsed policies for substantially similar premiums are in full force and effect.

In addition, each party has agreed that without the prior written consent of the other, except as previously disclosed in writing, it will not, and will not cause any of its Subsidiaries to, except as set forth in such party's previously approved capital budget, incur or commit to capital expenditures prior to the Effective Date individually or in the aggregate exceeding $1 million.

Non-Solicitation and Superior Proposals

The Combination Agreement contains certain "non-solicitation" provisions pursuant to which each of U.S. Silver and RX Gold agreed to, as of the date of the Combination Agreement, cease any discussions or negotiations with any other person with respect to any Acquisition Proposal and to not, directly or indirectly, through any of its respective officers, directors, employees, agents or representatives, or otherwise:

- initiate, solicit, encourage or otherwise knowingly any inquiries or the making by any other person of any proposal or offer with respect to an Acquisition Proposal in respect of such party;
- engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with or otherwise cooperate in any way with, any other person relating to an Acquisition Proposal in respect of such party, or otherwise knowingly facilitate any effort or attempt to make or implement an Acquisition Proposal in respect of such party;
- withdraw or modify in a manner adverse to the other party the approval or recommendation of its board of directors in respect of the Combination Transaction;
- approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal in respect of such party; or
- execute or enter into, or publicly propose to accept or enter into an agreement with respect to an Acquisition Proposal in respect of such party.

Notwithstanding the foregoing, if either party receives an unsolicited *bona fide* written Acquisition Proposal prior to such party's special meeting held for the purpose of considering the Combination Transaction, its board of directors is permitted, subject to certain conditions, to consider, discuss, negotiate and enter into a confidentiality agreement, provided the board of directors has determined in good faith, after consultation with outside legal and financial

advisors, that the failure to take such action would be inconsistent with its fiduciary duties and that such Acquisition Proposal is or is reasonably likely to constitute or lead to a Superior Proposal. Each party has agreed to immediately notify the other party of any Acquisition Proposal or any inquiry that could reasonably be expected to lead to an Acquisition Proposal.

Neither U.S. Silver nor RX Gold may enter into any agreement in respect of an Acquisition Proposal on the basis that it is a Superior Proposal or withdraw or modify its approval or recommendation of the Combination Transaction or recommend a Superior Proposal, unless it has first provided notice to the other party of the determination that an Acquisition Proposal is a Superior Proposal and that it intends to withdraw or modify its recommendation and has allowed five Business Days to elapse from the date such notice was received by the other party (the "Superior Proposal Notice Period"). During the Superior Proposal Notice Period, the party receiving the Superior Proposal must provide a reasonable opportunity to the other party to consider, discuss and offer adjustments in the terms and conditions of the Combination Agreement in order to match or better the terms of the Superior Proposal, in which case the terms of the Combination Agreement shall proceed as amended.

Termination and Termination Fee

The Combination Agreement may be terminated at any time prior to the Effective Date:

(i) by mutual written agreement of the parties;

(ii) by either party, if any Law comes into force or a Governmental Authority shall have issued any order or decree that makes the consummation of either the U.S. Silver Arrangement or the RX Gold Arrangement illegal or otherwise prohibits the Combination Transaction;

(iii) subject to certain conditions, by either party if the Effective Date has not occurred on or prior to September 30, 2012 (the "End Date"), provided that the terminating party has not breached any of its representations and warranties or failed to perform any of its covenants or agreements under the Combination Agreement, which breach has been a principal cause of or resulted in the failure of the Effective Date to occur on or prior to the End Date;

(iv) by either party, (A) if Shareholders do not approve the U.S. Silver Arrangement Resolution at the Meeting; or (B) if the RX Gold Shareholders do not approve the RX Arrangement Resolution;

(v) by either party: (A) if the board of directors of the other party withdraws or modifies its recommendation in an adverse manner; (B) if the board of directors of the other party approves or recommends any Superior Proposal; (C) if an Acquisition Proposal in respect of the other party has been publicly disclosed and the board of directors of the other party does not reaffirm its recommendation of its arrangement resolution within the earlier of five Business Days after such Acquisition Proposal is publicly disclosed and the Business Day prior to the proxy-cut off deadline for its special meeting of shareholders held for the purposes of considering the Combination Transaction; (D) in order to enter into an agreement with a third party in respect of a Superior Proposal (subject to the prior payment of the termination fee); (E) subject to certain conditions, if (1) any of the representations and warranties of the other party contained in the Combination Agreement are untrue or inaccurate and the result of which is a Material Adverse Effect on such party; or (2) there has been a material breach on the part of the other party of any of its covenants contained in the Combination Agreement; or (F) if the other party's special meeting of shareholders has not been held by the August 7, 2012.

RX Gold has agreed to pay U.S. Silver $2,000,000 (in the case of termination by U.S. Silver pursuant to clause (v)(A) above) or 3% of the equity value of RX Gold implied by the applicable Acquisition Proposal or Superior Proposal (in any other case) if the Combination Agreement is terminated by (a) U.S. Silver in the circumstances described in clauses (v)(A)-(C) above; (b) RX Gold in the circumstances described above in clause (v)(D) above; or (c) either party where an Acquisition Proposal in respect of RX Gold has been publicly disclosed prior to the RX Gold Meeting (and not publicly withdrawn), and within 12 months following such termination, such Acquisition Proposal in respect of RX Gold, or any other Acquisition Proposal in respect of RX Gold publicly disclosed during the pendency of such Acquisition Proposal, is consummated.

U.S. Silver shall pay to RX Gold $4,000,000 (in the case of termination by RX Gold pursuant to clause (v)(A) above) or 3% of the equity value of U.S. Silver implied by the applicable Acquisition Proposal or Superior Proposal (in

any other case) if the Combination Agreement is terminated by (x) RX Gold in the circumstances described in clauses (v)(A)-(C) above; (b) U.S. Silver in the circumstances described above in clause (v)(D) above; or (c) either party where an Acquisition Proposal in respect of U.S. Silver has been publicly disclosed prior to the Meeting (and not publicly withdrawn), and within 12 months following such termination, such Acquisition Proposal in respect of U.S. Silver, or any other Acquisition Proposal in respect of U.S. Silver publicly disclosed during the pendency of such Acquisition Proposal, is consummated.

Lock-up Agreements

On June 7, 2012, Sprott, the Corporation's largest shareholder, and each of the directors and executive officers of U.S. Silver who own Shares (such directors and officers collectively referred to as the "Supporting Shareholders") entered into separate voting and support agreements with RX Gold in connection with the U.S. Silver Arrangement (collectively, the "Lock-up Agreements").

Sprott Lock-up Agreement

Sprott has represented in its Lock-up Agreement that it exercises control or direction over an aggregate of 8,798,850 Shares, which represent approximately 14.4% of the outstanding Shares. Under its Lock-up Agreement, among other things, Sprott has irrevocably and unconditionally agreed:

- to vote or to cause to be voted its Shares over which it exercises control or direction at the Meeting (or any adjournment or postponement thereof) in favour of the U.S. Silver Arrangement including, without limitation, the U.S. Silver Arrangement Resolution, and any other matter that could reasonably be expected to facilitate the Combination Transaction;
- to vote or cause to be voted its Shares over which it exercises control or direction against any Acquisition Proposal in respect of U.S. Silver and/or any matter that could reasonably be expected to delay, prevent or frustrate the successful completion of the Combination Transaction at any meeting of Shareholders called for the purpose of considering same; and
- that it shall prior to the completion of the Meeting or any adjournments or postponements thereof, not option, sell, transfer, pledge, encumber, grant a security interest in, hypothecate or otherwise convey or enter into any forward sale, repurchase agreement or other monetization transaction with respect to any Shares over which it exercises control or direction, or any right or interest therein (legal or equitable), to any person or group or agree to do any of the foregoing.

The Lock-up Agreement entered into between RX Gold and Sprott automatically terminates upon the earliest of (a) the termination of the Combination Agreement in accordance with its terms, and (b) the Effective Time. In addition, subject to certain limitations, Sprott may terminate its Lock-up Agreement if a third party makes an unsolicited *bona fide* written Acquisition Proposal to acquire all or substantially all of the assets of U.S. Silver (on a consolidated basis) or not less than all Shares, that complies with applicable Canadian Securities Laws, which Sprott determines in good faith to be a Superior Proposal.

Directors and Certain Executive Officers

The Supporting Shareholders beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 458,600 Shares, which represents approximately 0.75% of the outstanding Shares. Under their respective Lock-up Agreements, each of the directors who own Shares and executive officers of U.S. Silver who own Shares, namely John Brock, Alan Edwards, Steve Long, James Macintosh, Gordon Pridham, Thomas Ryley and Kevin Stulp, each irrevocably agreed:

- to vote or to cause to be voted his Shares at the Meeting (or any adjournment or postponement thereof) in favour of the Combination Transaction including, without limitation, the U.S. Silver Arrangement Resolution and any other matter that could reasonably be expected to facilitate the Combination Transaction;
- to vote or cause to be voted his Shares against any Acquisition Proposal in respect of U.S. Silver and/or any matter that could reasonably be expected to delay, prevent or frustrate the successful completion of the Combination Transaction at any meeting of Shareholders called for the purpose of considering same; and

- except in accordance with the terms of such Supporting Shareholder's Lock-up Agreement, such Supporting Shareholder shall not option, sell, transfer, pledge, encumber, grant a security interest in, hypothecate or otherwise convey or enter into any forward sale, repurchase agreement or other monetization transaction with respect to any of his Shares, or any right or interest therein (legal or equitable), to any person or group or agree to do any of the foregoing; not grant or agree to grant any proxy, power of attorney or other right to vote his Shares, or enter into any voting agreement, voting trust, vote pooling or other agreement with respect to the right to vote or to call meetings of holders of Shares; not requisition or join in any requisition of any meeting of Shareholders without the prior written consent of RX Gold; not take any other action of any kind which could reasonably be expected to delay, prevent frustrate the successful completion of the Combination Transaction; and will not initiate, solicit, encourage, or engage in the solicitation of an Acquisition Proposal.

Each of the above-mentioned Supporting Shareholders also irrevocably and unconditionally agreed that they will not exercise any Dissent Rights in connection with the U.S. Silver Arrangement or any other transaction considered at the Meeting in connection therewith.

The Lock-up Agreements entered into between RX Gold and each of the above-mentioned directors and officers automatically terminate upon the earliest of (a) the termination of the Combination Agreement in accordance with its terms, and (b) the Effective Time.

Comparison of Shareholder Rights

As a result of the Combination Transaction, Shareholders will become shareholders of the Combined Company, a corporation incorporated under and governed by the OBCA. As shareholders of an OBCA corporation, the rights of Shareholders will differ in certain respects from their rights as shareholders of U.S. Silver, a corporation incorporated under the CBCA. Please see Appendix B to this Circular for a comparison of these rights.

Treatment of Outstanding Options

U.S. Silver Options

As of the date hereof, there were an aggregate of 4,492,814 issued and outstanding Options which, when vested, would be exercisable to acquire a total of 4,492,814 Shares.

Pursuant to section 2.2(c) of the U.S. Silver Arrangement, each Option issued and outstanding immediately prior to the Effective Time shall be exchanged for an option issued under the Combined Company Option Plan to purchase the number of Combined Company Shares determined by multiplying the number of Shares subject to the particular Option at the Effective Time by the exchange ratio of 0.67 Combined Company Shares for each Share (the "Exchange Ratio"), at an exercise price per Combined Company Share equal to the exercise price per share in the particular Option at the Effective Time divided by the Exchange Ratio, provided that the exercise price otherwise determined shall be automatically adjusted to the extent, if any, required to ensure that the in-the-money amount, immediately after the exchange, of the Combined Company Option issued in exchange for the Option does not exceed the in-the-money amount of the exchanged Option immediately before the exchange.

If as a result of the exchange calculation described above, the Combined Company Options held by a particular holder are exercisable for an aggregate number of Combined Company Shares that is not a whole number, the number of Combined Company Shares subject to such Combined Company Options will be rounded down to the nearest whole number of Combined Company Shares. If the exercise price per whole Combined Company Share includes a fraction of a cent, the exercise price per whole Combined Company Share will be rounded up to the nearest whole cent.

RX Gold Options

As of the date hereof, there were an aggregate of 10,185,000 issued and outstanding RX Gold Options which, when vested, would be exercisable to acquire a total of 10,185,000 RX Gold Shares. Pursuant to Section 2.2(c) of the RX Gold Arrangement, each RX Gold Option issued and outstanding immediately prior to the Effective Time shall be exchanged for an option issued under the Combined Company Option Plan on the same terms set out above under "— *U.S. Silver Options*", except that the applicable exchange ratio shall be 0.109 Combined Company Shares for each RX Gold Share.

Combined Company Options

Upon completion of the Combination Transaction all Combined Company Options shall be governed by the Combined Company Option Plan. For additional information, please see "*Information About the Combined Company – Combined Company Option Plan*" in Appendix H.

Treatment of Outstanding Warrants

U.S. Silver Warrants

As of the date hereof, there were an aggregate of 10,771,641 issued and outstanding Warrants which, when vested, would be exercisable to acquire a total of 2,154,928 Shares.

Pursuant to the existing terms of the Warrants, each holder of a Warrant issued and outstanding immediately prior to the Effective Time will be entitled to receive, upon exercise of such holder's Warrant after the Effective Time, for the same aggregate consideration and in lieu of the number of Shares to which the holder was entitled to receive upon exercise, the number of Combined Company Shares which the holder would have been entitled to receive pursuant to the U.S. Silver Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Shares to which the holder was entitled to purchase or receive upon the exercise of such Warrant.

Upon completion of the Combination Transaction, the Warrants will continue to be governed by a warrant indenture between U.S. Silver and the warrant agent under the warrant indenture, as supplemented to reflect the treatment of the Warrants following completion of the Combination Transaction as described above. The Warrants will continue to be posted for trading on the TSX, but immediately following completion of the Combination Transaction, the symbol under which they trade will be changed to "USL.WT"

RX Gold Warrants

As of date hereof, there were an aggregate of 5,000,000 issued and outstanding RX Gold Warrants which, when vested, would be exercisable to acquire a total of 5,000,000 RX Gold Shares. Pursuant to the existing terms of the RX Gold Warrants, each holder of a RX Gold Warrant issued and outstanding immediately prior to the Effective Time will be entitled to receive, upon exercise of such holder's RX Gold Warrant after the Effective Time, for the same aggregate consideration and in lieu of the number of RX Gold Shares to which the holder was entitled to receive upon exercise, the number of Combined Company Shares which the holder would have been entitled to receive pursuant to the RX Gold Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of RX Gold Shares to which the holder was entitled to purchase or receive upon the exercise of such RX Gold Warrant.

Exercise of Warrants Following the Combination Transaction

In order to facilitate the issuance of Combined Company Shares upon the exercise of a Warrant or RX Gold Warrant on or following the Effective Date, the Combined Company has agreed to deliver, or otherwise make available to U.S. Silver or RX Gold (each of which will be a wholly-owned subsidiary of the Combined Company on and following the Effective Date), as the case may be, that number of Combined Company Shares that become issuable upon the exercise of such Warrants and RX Gold Warrants as described above, respectively.

Effect on the Corporation if the Combination Transaction is Not Completed

If the U.S. Silver Arrangement Resolution is not approved by Shareholders or if the Combination Transaction is not completed for any other reason, Shareholders will not exchange their Shares for Combined Company Shares, nor will Optionholders exchange their Options for Combined Company Options. Instead, it is expected that each of U.S. Silver and RX Gold will remain separate public companies, and that the Shares will continue to be traded on the TSX, and the RX Gold Shares on the TSX-V.

In addition, if the Combination Transaction is not completed, it is expected that management will continue to operate the Corporation in a manner similar to that in which it is being operated today and that Shareholders will

continue to be subject to the same risks and opportunities to which they are currently subject. See also "*Risk Factors – Risks Relating to the Business of U.S. Silver*". If the Combination Transaction is not completed and the Combination Agreement is terminated in certain circumstances, the Corporation may be obligated to pay a termination fee to RX Gold. See "*– The Combination Agreement – Termination and Termination Fee*" and "*Risk Factors – Risks Relating to the Combination Transaction*".

PROCEDURE FOR THE COMBINATION TRANSACTION TO BE COMPLETED

Procedural Steps

Completion of the Combination Transaction is subject to the conditions precedent contained in the Combination Agreement having been satisfied (or waived where applicable), including receipt of the following (collectively, the "Required Approvals"):

- approval of the U.S. Silver Arrangement Resolution by not less than $66^2/_3\%$ of votes cast by Shareholders present, in person or by proxy, at the Meeting ("U.S. Silver Shareholder Approval");
- approval of the RX Gold Arrangement Resolution by not less than $66^2/_3\%$ of votes cast by RX Gold Shareholders present, in person or by proxy, at the RX Gold Meeting ("RX Gold Shareholder Approval");
- an order of the Court pursuant to Section 192 of the CBCA, approving the U.S. Silver Arrangement (the "Final Order");
- an order of the Court pursuant to Section 182 of the OBCA, approving the RX Gold Arrangement (the "RX Gold Final Order"); and
- conditional approval from the TSX for the listing or substitutional listing of the Combined Company Shares to be issued pursuant to the Arrangements and upon the exercise of U.S. Silver Warrants, RX Gold Warrants and Combined Company Options ("Stock Exchange Approval").

Except as otherwise provided in the Combination Agreement, U.S. Silver and RX Gold will file their respective articles of arrangement concurrently and as soon as reasonably practicable after the satisfaction or, where not prohibited, waiver of the conditions set forth in the Combination Agreement (other than those which by their nature are to be satisfied at the Effective Time) unless another time or date is agreed to by U.S. Silver and RX Gold. See "*The Combination Transaction – The Combination Agreement – Conditions*".

Prior to the mailing of this Circular, Stock Exchange Approval was received. See "*Required Approvals – Stock Exchange Approval*".

Anticipated Timing

It is the objective of U.S. Silver and RX Gold to complete the Combination Transaction as soon as practicable after the Meeting. While U.S. Silver currently expects the Combination Transaction to be completed on or about August 13, 2012, it is not possible to specify the precise date on which both the U.S. Silver Arrangement and RX Gold Arrangement will become effective. Shareholders are advised that the Effective Date could be delayed for a number of reasons.

As provided under the Combination Agreement, the Combination Transaction cannot be completed later than September 30, 2012 (the "End Date"), unless such End Date is extended in accordance with terms of the Combination Agreement. See "*– The Combination Agreement – Termination and Termination Fee*".

Procedure for Exchange of the Shares

Registered Shareholders

In order to receive the Combined Company Shares if the U.S. Silver Arrangement Resolution is passed and the Combination Transaction is completed, a Registered Shareholder must complete, sign, date and return the enclosed letter of transmittal in accordance with the instructions set out therein and in this Circular. The letter of transmittal is also available under the Corporation's profile on SEDAR at www.sedar.com.

At or promptly after the Effective Time, the Combined Company will deposit with the Depositary certificates representing the Combined Company Shares issued pursuant to the U.S. Silver Arrangement. The Depositary will act as the agent of persons who have deposited Shares pursuant to the U.S. Silver Arrangement for the purpose of receiving the Combined Company Shares and transmitting certificates representing the Combined Company Shares to such persons, and receipt of the Combined Company Shares by the Depositary will be deemed to constitute receipt of payment by persons depositing Shares.

Upon surrender to the Depositary of the certificate(s) that immediately prior to the Effective Time represented Shares, and a duly completed letter of transmittal and such other documents as the Depositary may require, a former Shareholder will be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time, the Depositary will deliver to such Shareholder, a certificate representing the number of Combined Company Shares such Shareholder is entitled to receive under the U.S. Silver Arrangement, being 0.67 Combined Company Share for each Share so exchanged (together with any dividends or distributions with respect thereto pursuant to section 4.2 of the Plan of Arrangement).

In the event of a transfer of ownership of Shares which is not registered in the transfer records of the Corporation, a certificate representing the proper number of Combined Company Shares (together with any dividends or distributions with respect thereto pursuant to section 4.2 of the Plan of Arrangement) shall be delivered to a transferee if the certificate formerly representing such Shares is presented to the Depositary at its offices, accompanied by the foregoing documents together with all other documents required to evidence and effect such transfer.

Until surrendered, each certificate that immediately prior to the Effective Time represented Shares will be deemed at any time after the Effective Time to, subject to certain exceptions, represent only the right to receive upon surrender (a) the certificate representing Combined Company Shares, and (b) any dividends or distributions with a record date on or after the Effective Date theretofore paid or payable with respect to Combined Company Shares as contemplated by section 4.2 of the Plan of Arrangement.

In the event any certificate, which immediately before the Effective Time represented one or more outstanding Shares in respect of which the holder was entitled to receive Combined Company Shares from the Corporation pursuant to the U.S. Silver Arrangement, is lost, stolen or destroyed, upon the making of an affidavit or statutory declaration of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver in exchange for such lost, stolen or destroyed certificate, certificates representing Combined Company Shares to which such Registered Shareholder is entitled pursuant to the U.S. Silver Arrangement. When authorizing delivery of certificates representing Combined Company Shares that a Shareholder is entitled to receive in exchange for any lost, stolen or destroyed certificate, such former holders to whom certificates are to be delivered will be required, as a condition precedent to the delivery thereof, to give a bond satisfactory to the Combined Company and the Depositary in such amount as the Combined Company and the Depositary may direct or otherwise indemnify the Combined Company and the Depositary in a manner satisfactory to them, against any claim that may be made against one or both of them with respect to the certificate alleged to have been lost, stolen or destroyed.

Non-Registered Shareholders

Non-Registered Shareholders are not required to take any action in respect of the completion of the Combination Transaction. The exchange of Combined Company Shares for Shares in respect of Non-Registered Shareholders is expected to be made with the Non-Registered Shareholder's broker, securities dealer, trust corporation or other intermediary account through the procedures in place for such purposes between CDS and such intermediaries. Non-Registered Shareholders should contact their intermediary if they have any questions regarding this process.

Optionholders

Optionholders are not required to take any action in respect of the completion of the Combination Transaction. As soon as practicable after completion of the Combination Transaction, the Combined Company will confirm in writing to each Optionholder the terms of their Combined Company Options for which their Options were exchanged under the U.S. Silver Arrangement. See "*The Combination Transaction – Treatment of Outstanding Options*".

Cancellation after Six Years

In accordance with the U.S. Silver Arrangement, certificates representing the Combined Company Shares, to which former Shareholders would otherwise have been entitled, will be held by the Depositary for a maximum of six years from the Effective Date. If former Shareholders fail to return the certificates representing the former Shares together with a duly completed letter of transmittal and such other required documents prior to the date that is six years from the Effective Date, each such former certificate representing Shares shall cease to represent a right or claim of any kind or nature including the right of such former holders of Shares to receive certificates representing Combined Company Shares. Accordingly, persons who deposit certificates for Shares after this sixth anniversary will not receive Combined Company Shares, and will not own any interest in the Combined Company or U.S. Silver and will not be paid any cash or other compensation. The Combined Company Shares issued to such former Shareholders under the U.S. Silver Arrangement shall be deemed to be surrendered to the Combined Company, together with all entitlements to dividends or distributions thereon declared or held for such holder, for no consideration.

Fractional Shares

No fractional Combined Company Share will be issued to Shareholders. No cash will be paid in lieu of fractional shares. Any fractions resulting will be rounded down to the nearest whole number for fractions of 0.5 or less of a Combined Company Share and rounded up for fractions of more than 0.5 of a Combined Company Share.

Dividends and Other Distributions

No dividends or other distributions declared or made on or after the Effective Date with respect to the Combined Company Shares with a record date on or after the Effective Date will be paid to the holder of any certificates formerly representing outstanding Shares unless and until the certificate representing such Shares, together with a duly completed letter of transmittal and such other documents as the Depositary may require, is delivered to the Depositary at the office indicated in the letter of transmittal. Subject to applicable law and prior to the sixth anniversary of the Effective Date, at the time of such delivery (or in the case of clause (b) below, at the appropriate payment date), the holder of the Combined Company Shares resulting from the exchange will be paid, in all cases without interest, (a) the amount of dividends or other distributions with a record date on or after the Effective Date theretofore paid with respect to such Combined Company Shares, and (b) the amount of dividends or other distributions with a record date on or after the Effective Date prior to such delivery and a payment date subsequent to such delivery payable with respect to such Combined Company Shares.

REQUIRED APPROVALS

Shareholder Approvals

U.S. Silver Shareholder Approval

Subject to the Interim Order, the U.S. Silver Arrangement Resolution must be approved by not less than $66^{2}/_{3}\%$ of the votes cast by Shareholders present, in person or by proxy, at the Meeting.

In connection with the Combination Transaction, certain officers of U.S. Silver will receive payments contingent upon completion of the Combination Transaction as described under "*Information About U.S. Silver – Interest of Informed Persons in Material Transactions*" in this Circular. The receipt of such payments may be considered to be ''collateral benefits'' received by the relevant officers of U.S. Silver for the purposes of *Multilateral Instrument 61-101- Protection of Minority Security Holders in Special Transactions*. MI 61-101 provides that if a ''related party'' of an issuer (including the issuer's directors and officers) is entitled to receive a collateral benefit as a consequence of a transaction (such as the Combination Transaction), the issuer must obtain minority approval for the proposed transaction, which is approval by a majority of the votes cast by shareholders of the issuer other than those shareholders who are entitled to receive a collateral benefit (together with any related party of those shareholders and any joint actors).

However, MI 61-101 expressly excludes benefits from being ''collateral benefits'' if such benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including that the benefits are disclosed in the disclosure document for the transaction (such as this

Circular), and, at the time the transaction is agreed to, the related party and its associated entities (as defined in MI 61-101) beneficially own, or exercise control or direction over, less than 1% of the outstanding equity securities (being, in the case of U.S. Silver, the Shares).

The relevant officers of U.S. Silver who will receive such payments, and their associated entities, each beneficially own, or exercise control or direction over, less than 1% of the outstanding Shares. Accordingly, such officers of U.S. Silver will not be considered to have received a ''collateral benefit'' under MI 61-101 and as such, minority approval by Shareholders at the Meeting is not required under applicable Canadian securities laws.

RX Gold Shareholder Approval

Subject to the Interim Order, RX Gold must hold a special meeting of its shareholders (the "RX Gold Meeting") in order to vote on a special resolution approving the Combination Transaction (the "RX Gold Arrangement Resolution"). To be effective, the RX Gold Arrangement Resolution must be approved by not less than $66^2/_3\%$ of the votes cast by RX Gold Shareholders present, in person or by proxy, at the RX Gold Meeting.

Court Approvals

An arrangement under the CBCA requires Court approval. Prior to mailing this Circular, U.S. Silver obtained the Interim Order from the Superior Court of Justice of the province of Ontario (the "Court") which permits the calling and holding of the Meeting and other procedural matters, and filed a Notice of Hearing of Petition for the Final Order to approve the U.S. Silver Arrangement. Copies of the Interim Order and the Notice of Application for the Final Order are attached as Appendix E and Appendix G to this Circular, respectively.

It is expected that, subject to the approval of the U.S. Silver Arrangement Resolution by Shareholders at the Meeting, an application will be made to the Court for the hearing on the Final Order shortly after the Meeting. At the hearing on the Final Order, the Court will determine whether to approve the U.S. Silver Arrangement in accordance with the legal requirements and the evidence before the Court. Participation in the hearing on the Final Order, including who may participate and present evidence or argument and the procedure for doing so is subject to the terms of the Interim Order and any subsequent direction of the Court. The hearing in respect of the Final Order is currently scheduled to take place on August 9, 2012 at 10:00 a.m. (Toronto time), or as soon after that time as the application may be heard, at 330 University Avenue, Toronto, Ontario.

At the hearing, the Court will consider, among other things, the fairness of the terms and conditions of the U.S. Silver Arrangement to Shareholders. The Court may approve the U.S. Silver Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. Prior to the hearing on the Final Order, the Court will be informed that the Final Order will also constitute the basis for an exemption from registration under the U.S. Securities Act for the Combined Company Shares to be issued pursuant to the U.S. Silver Arrangement to holders of Shares pursuant to Section 3(a)(10) of the U.S. Securities Act. See "*Securities Laws – U.S. Securities Laws*".

Similarly, prior to mailing this Circular, RX Gold obtained an interim order in respect of the RX Gold Meeting. If the RX Gold Shareholder Approval is obtained, RX Gold will also apply to the Court for a hearing on the RX Gold Final Order. It is anticipated such hearing will be held on the same day as the Final Order is considered.

Assuming each of the Final Order and the RX Gold Final Order are granted, and the other conditions to closing contained in the Combination Agreement are satisfied or waived to the extent legally permissible, then each of U.S. Silver and RX Gold will, concurrently, file their respective articles of arrangement in order to make the U.S. Silver Arrangement and the RX Gold Arrangement effective, and the Combination Transaction will be completed. See "*Procedure for the Combination Transaction to be Completed*".

Stock Exchange Approval

It is a condition of the Combination Transaction that the TSX shall have conditionally approved the listing or the substitutional listing of the Combined Company Shares. Prior to the mailing of this Circular, the Corporation applied for, and the TSX provided, conditional approval for the substitutional listing of the Combined Company Shares on the

TSX under the stock symbol "USA", subject to the Combined Company fulfilling the normal listing requirements of the TSX. However, there can be no assurance when, or if, the Combined Company Shares will be listed on the TSX or on any other stock exchange.

Upon completion of the Combination Transaction, the Combined Company expects that it will become a reporting issuer in certain provinces of Canada.

Effect of the Combination Transaction on Market and Listing

The Shares are currently listed on the TSX and trade under the stock symbol "USA", and the Warrants are currently listed on the TSX and trade under the symbol "USA.WT". Following completion of the Combination Transaction: (i) the Shares will no longer trade on the TSX, (ii) the Combined Company Shares will trade under the stock symbol "USA" as a result of the substitutional listing described above under the heading "— *Stock Exchange Approval*", and (iii) the Warrants will continue to be securities of U.S. Silver and listed on the TSX but will be posted for trading under the stock symbol "USL.WT".

RX Gold is a reporting issuer in British Columbia, Alberta and Ontario. The RX Gold Shares currently trade on the TSX-V and the OTCQX International. Following the Combination Transaction, the RX Gold Shares will be delisted from the TSX-V and withdrawn from the OTCQX International (anticipated to be effective one to two Business Days following the Effective Date) and the Combined Company expects to apply to the applicable Canadian Securities Administrators to have RX Gold cease to be a reporting issuer.

SECURITIES LAWS CONSIDERATIONS

Canadian Securities Laws

Each Shareholder is urged to consult its professional advisor to determine the conditions and restrictions applicable to such Shareholder in trading Combined Company Shares received pursuant to the U.S. Silver Arrangement.

The issue of the Combined Company Shares in connection with the U.S. Silver Arrangement will be exempted from the prospectus and registration requirements of applicable Canadian securities legislation.

The first trade of Combined Company Shares issued to Shareholders in connection with the U.S. Silver Arrangement will not be subject to any restricted or hold period in Canada if: (i) at the time of such first trade, the Combined Company is a reporting issuer or the equivalent under the legislation of a jurisdiction of Canada; (ii) no unusual effort is made to prepare the market or to create a demand for the Combined Company Shares which are the subject of the trade; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; (iv) if the seller of the Shares is an insider or officer of the Combined Company, the seller has no reasonable grounds to believe that the Combined Company is in default of any requirement of the applicable securities legislation; and (v) the first trade is not from the holdings of a person or company or a combination of persons or companies holding a sufficient number of any Combined Company Shares so as to affect materially the control of the Combined Company (a holding by any person, company or combination of persons and/or companies of more than 20% of the outstanding voting Shares of the Combined Company will be deemed, in the absence of evidence to the contrary, to affect materially the control of the Combined Company).

Please refer to the discussion of M1 61-101 under the heading *"Required Approvals – Shareholder Approvals – U.S. Sliver Shareholder Approval"*.

U.S. Securities Laws

Issuance and resale of Combined Company Shares under U.S. Securities Laws

The following discussion is a general overview of certain requirements of U.S. Securities Laws that may be applicable to U.S. Shareholders. All U.S. Shareholders are urged to consult with their own legal advisor to ensure that any subsequent resale of Combined Company Shares issued to them under the U.S. Silver Arrangement complies with applicable securities legislation.

Additional information applicable to U.S. Shareholders is disclosed under the heading *"Notice to Shareholders Not Resident in Canada"*.

The following discussion does not address the securities legislation in Canada that will apply to the issue of Combined Company Shares or the resale of these Shares by U.S. Shareholders within Canada. U.S. Shareholders reselling their Combined Company Shares in Canada must comply with Canadian Securities Laws. See "– *Canadian Securities Laws*".

Exemption from the registration requirements of the U.S. Securities Act

The Combined Company Shares to be issued pursuant to the U.S. Silver Arrangement will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act. Section 3(a)(10) of the U.S. Securities Act exempts from registration the distribution of a security that is issued in exchange for outstanding Shares, or partly in such exchange and partly for cash, where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue Shares in such exchange have the right to appear, by a court or by a Governmental Entity expressly authorized by law to grant such approval. Accordingly, the Final Order will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the Combined Company Shares issued in connection with the U.S. Silver Arrangement.

Resales of Combined Company Shares within the United States after the completion of the Combination Transaction

Persons who are not "affiliates" of the Combined Company after the completion of the Combination Transaction may resell in the United States the Combined Company Shares that they receive in connection with the U.S. Silver Arrangement, without restriction under the U.S. Securities Act. As defined in Rule 144 under the U.S. Securities Act, an "affiliate" of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer.

Combined Company Shares received by an "affiliate" of the Combined Company after the completion of the Combination Transaction will be subject to certain restrictions on resale imposed by the U.S. Securities Act. Persons who are affiliates of the Combined Company after the completion of the Combination Transaction may not sell the Combined Company Shares that they receive in connection with the U.S. Silver Arrangement in the absence of registration under the U.S. Securities Act or an exemption from registration, if available, such as the exemptions contained in Rule 144 under the U.S. Securities Act or Rule 904 of Regulation S.

Exercise of Combined Company Options and Warrants

The Combined Company Options received in exchange for the Options, and the Warrants which remain outstanding following completion of the U.S. Silver Arrangement, may not be exercised in the United States or by or on behalf of a U.S. Person, nor may any Combined Company Shares issued upon such exercise be offered or resold, except pursuant to registration under the U.S. Securities Act or an exemption from such registration requirements.

The foregoing discussion is only a general overview of certain requirements of U.S. Securities Laws applicable to the Combined Company Shares and the Combined Company Options to be issued in exchange for Shares and Options pursuant to the U.S. Silver Arrangement, and the Warrants which will remain outstanding following the effectiveness of the U.S. Silver Arrangement. All holders of such securities are urged to consult with their own counsel to ensure that the resale of their securities complies with applicable securities legislation. Securityholders of the Corporation are urged to consult with their own legal counsel to ensure that the resale of Combined Company securities issued to them pursuant to the U.S. Silver Arrangement complies with applicable securities legislation.

DISSENT RIGHTS

If you are a Registered Shareholder, you are entitled to dissent from the U.S. Silver Arrangement Resolution in the manner provided in section 190 of the CBCA, as modified by the Interim Order and the U.S. Silver Arrangement.

This section summarizes the provisions of section 190 of the CBCA, as modified by the Interim Order and the U.S. Silver Arrangement. If you are a Registered Shareholder holding and wish to dissent, you should obtain your own legal advice and carefully read the provisions of the U.S. Silver Arrangement, the provisions of section 190 of the CBCA and the Interim Order, which are attached as Appendix F, Appendix J and Appendix E to this Circular, respectively.

Anyone who is a beneficial owner of Shares registered in the name of an intermediary and who wishes to dissent should be aware that only Registered Shareholders holding Shares are entitled to exercise Dissent Rights. A Registered Shareholder, who holds Shares as intermediary for one or more beneficial owners, one or more of whom wish to exercise Dissent Rights, must exercise such Dissent Rights on behalf of such holder(s). In such case, the Dissent Notice should specify the number and class of Dissent Shares. A Dissenting Shareholder may only dissent with respect to all held on behalf of any one beneficial owner and registered in the name of the Dissenting Shareholder.

Registered Shareholders who exercise the rights of dissent as set out in the CBCA as modified by the Interim Order and the U.S. Silver Arrangement will be deemed to have transferred their Dissent Shares to Combined Company free and clear of any liens, as of the Effective Date, and if they:

(a) ultimately are entitled to be paid fair value for their Dissent Shares, will be entitled to be paid the fair value of such Dissent Shares and will not be entitled to any other payment or consideration. There can be no assurance that a Dissenting Shareholder will receive consideration for its Dissent Shares of equal value to the consideration that such Dissenting Shareholder would have received under the U.S. Silver Arrangement; or

(b) are ultimately not entitled, for any reason, to be paid fair value for their Dissent Shares, will be deemed to have participated in the U.S. Silver Arrangement and to have transferred each of their Shares to the Combined Company in exchange for 0.67 of a Combined Company Share.

A Registered Shareholder who wishes to dissent must ensure that a Dissent Notice is received by the Corporate Secretary of U.S. Silver at its office located at 401 Bay St., Suite 2702, P.O. Box 136, Toronto, Ontario M5H 2Y4, on or prior to 5:00 p.m. (Toronto time) on August 3, 2012 (or prior to 5:00 p.m. on the day that is one Business Day immediately preceding any adjourned or postponed Meeting). It is important that Shareholders strictly comply with this requirement, which is different from the statutory dissent provisions of the CBCA which would permit a Dissent Notice to be provided at or prior to the Meeting. The filing of a Dissent Notice does not deprive a Registered Shareholder holding Shares of the right to vote at the Meeting; however, a Registered Shareholder who has submitted a Dissent Notice and who votes in favour of the U.S. Silver Resolution will no longer be considered a Dissenting Shareholder. If such Dissenting Shareholder votes in favour of the U.S. Silver Arrangement Resolution in respect of a portion of the Shares registered in his, her or its name and held by same on behalf of any one beneficial owner, such vote approving the U.S. Silver Arrangement Resolution will be deemed to apply to the entirety of the Shares held by such Dissenting Shareholder in the name of that beneficial owner, given that section 190 of the CBCA provides there is no right of partial dissent. A vote against the U.S. Silver Arrangement Resolution will not constitute a Dissent Notice.

Within 10 days after the approval of the U.S. Silver Arrangement Resolution, U.S. Silver is required to notify each Dissenting Shareholder that the U.S. Silver Arrangement Resolution has been approved. Such notice is not required to be sent to a Registered Shareholder who voted for the U.S. Silver Arrangement Resolution or who has withdrawn a Dissent Notice previously filed.

A Dissenting Shareholder must, within 20 days after the Dissenting Shareholder receives notice that the U.S. Silver Arrangement Resolution has been approved or, if the Dissenting Shareholder does not receive such notice, within 20 days after the Dissenting Shareholder learns that the U.S. Silver Arrangement Resolution has been approved, send a Demand for Payment containing the Dissenting Shareholder's name and address, the number of Dissent Shares held by the Dissenting Shareholder, and a Demand for Payment of the fair value of such Dissent Shares. Within 30 days after sending a Demand for Payment, the Dissenting Shareholder must send to the Corporate Secretary of

U.S. Silver at 401 Bay St., Suite 2702, P.O. Box 136 Toronto, Ontario M5H 2Y4 or Valiant Trust Company located at 310-606 4 Street SW, Calgary, Alberta, T2P 9Z9, the certificates representing the Dissenting Shares. A Dissenting Shareholder who fails to send the certificates representing the Dissent Shares forfeits its right to make a claim under section 190 of the CBCA. U.S. Silver or Valiant Trust Company will endorse on share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder under section 190 of the CBCA and will forthwith return the share certificates to the Dissenting Shareholder.

On the filing of a Demand for Payment (and in any event upon the Effective Date), a Dissenting Shareholder ceases to have any rights in respect of its Dissent Shares, other than the right to be paid the fair value of its Dissent Shares as determined pursuant to section 190 of the CBCA and the Interim Order, except where, prior to the date at which the U.S. Silver Arrangement becomes effective: (i) the Dissenting Shareholder withdraws its Demand for Payment before the Combined Company makes an Offer to Pay to the Dissenting Shareholder; (ii) an Offer to Pay is not made and the Dissenting Shareholder withdraws its Demand for Payment; or (iii) the Board revokes the U.S. Silver Arrangement Resolution, in which case U.S. Silver will reinstate the Dissenting Shareholder's rights in respect of its Dissent Shares as of the date the Demand for Payment was sent. Pursuant to the U.S. Silver Arrangement, in no case will the Combined Company, U.S. Silver or any other person be required to recognize any Dissenting Shareholder as a Shareholder after the Effective Date, and the names of such Shareholders will be deleted from the list of Registered Shareholders at the Effective Date. In addition to any other restrictions under section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Options or Warrants; and (ii) holders of Shares who vote or have instructed a proxyholder to vote such Shares in favour of the U.S. Silver Arrangement Resolution.

No later than seven days after the later of the Effective Date and the date on which a Demand for Payment of a Dissenting Shareholder is received, as applicable, each Dissenting Shareholder who has sent a Demand for Payment must be sent a written Offer to Pay for its Dissent Shares by the Combined Company in an amount considered by its board of directors to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Offer to Pay in respect of Shares of the same class or series must be on the same terms as every other offer to pay in respect of Shares of that class or series.

Payment for the Dissent Shares of a Dissenting Shareholder must be made within 10 days after an Offer to Pay has been accepted by a Dissenting Shareholder, but any such Offer to Pay lapses if an acceptance thereof is not received within 30 days after the Offer to Pay has been made. If an Offer to Pay for the Dissent Shares of a Dissenting Shareholder is not made, or if a Dissenting Shareholder fails to accept an Offer to Pay that has been made, an application to a court to fix a fair value for the Dissent Shares of Dissenting Shareholders may be made within 50 days after the Effective Date or within such further period as a court may allow. If no such application is made, a Dissenting Shareholder may apply to the Court for the same purpose within a further period of 20 days or within such further period as a court may allow.

A Dissenting Shareholder is not required to give security for costs in such an application. Upon an application to the Court, all Dissenting Shareholders whose Dissent Shares have not been purchased will be joined as parties and bound by the decision of the court, and each affected Dissenting Shareholder shall be notified of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

Upon any such application to the Court, the Court may determine whether any other person is a Dissenting Shareholder who should be joined as a party, and the Court will then fix a fair value for the Dissent Shares of all such Dissenting Shareholders. The final order of the Court will be rendered against the Combined Company in favour of each Dissenting Shareholder joined as a party and for the amount of the Dissent Shares as fixed by the Court. The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each such Dissenting Shareholder from the Effective Date until the date of payment. Any judicial determination of fair value will result in delay of receipt by a Dissenting Shareholder of consideration for such Dissenting Shareholder's Dissent Shares.

The above is only a summary of the provisions of the CBCA pertaining to Dissent Rights, as modified by the Interim Order and the U.S. Silver Arrangement, which are technical and complex. If you are a Shareholder and wish to directly or indirectly exercise Dissent Rights, you should seek your own legal advice as failure to strictly comply with the provisions of the CBCA, as modified by the Interim Order and the U.S. Silver Arrangement, may prejudice your Dissent Rights.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman, Canadian counsel to U.S. Silver, the following summary fairly describes the principal Canadian federal income tax considerations under the Tax Act relating to the Arrangement generally applicable to U.S. Silver Shareholders and who, at all relevant times, for purposes of the Tax Act: (i) deal at arm's length with U.S. Silver and the Combined Company; and (ii) are not affiliated with U.S. Silver or the Combined Company (each, a "Holder").

This summary is not applicable to a Holder: (i) that is a "financial institution" (as defined in the Tax Act) for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" (as defined in the Tax Act); (iii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); or (iv) that has elected to report its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency. This summary also does not address all issues relevant to Holders who acquired Shares on the exercise of an option or other convertible security. All such Holders should consult their own tax advisors having regard to their own particular circumstances.

This summary is based upon the current provisions of the Tax Act and counsel's understanding of the current published administrative practices of the CRA. This summary also takes into account all specific proposals to amend the Tax Act (the "Proposed Amendments") announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and assumes that all Proposed Amendments will be enacted in their present form. However, there can be no assurance that the Proposed Amendments will be enacted in the form proposed, or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, or CRA's administrative practices, whether by legislative, governmental, or judicial action or decision, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is of a general nature only, and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors for advice as to the income tax consequences to them of the Arrangement in their particular circumstances.

Holders Resident in Canada

The following portion of the summary is applicable to Holders who, at all relevant times and for the purposes of the Tax Act, are resident, or deemed to be resident, in Canada and hold their Shares, and will hold their Combined Company Shares, as capital property (a "Resident Shareholder").

Shares of U.S. Silver and of the Combined Company will generally be considered to be capital property to the holder thereof, unless the shares are held in the course of carrying on a business or were acquired by the holder in a transaction considered to be an adventure or concern in the nature of trade. Certain holders who are resident in Canada for purposes of the Tax Act and who might not otherwise be considered to hold their Shares or Combined Company Shares as capital property may be entitled, in certain circumstances, to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such shares and every other "Canadian security" (as defined in the Tax Act) owned by such holder in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property. Any person contemplating making such an election should consult their own tax advisor for advice as to whether the election is available or advisable in their own particular circumstances.

Exchange of Shares for Combined Company Shares

In general, the exchange of Shares for Combined Company Shares under the U.S. Silver Arrangement will not give rise to a capital gain (or capital loss) to a Resident Shareholder unless such shareholder elects to report such capital gain or capital loss in its income tax return for the year in which the exchange occurs.

Except where a particular Resident Shareholder chooses to recognize a capital gain (or capital loss) on the exchange of Shares for Combined Company Shares (as discussed below), Resident Shareholders will be deemed to have disposed of their Shares for proceeds of disposition equal to the adjusted cost base of such shares immediately before the exchange and to have acquired their Combined Company Shares at a cost equal to that same amount.

A Resident Shareholder may choose to recognize a capital gain (or capital loss) on the exchange of Shares for Combined Company Shares by including the capital gain (or capital loss) in such Resident Shareholder's tax return for the taxation year in which the exchange occurs. In those circumstances, the Resident Shareholder will realize a capital gain (or capital loss) equal to the amount by which the fair market value of the Combined Company Shares received on the exchange (as at the time of the exchange) exceeds (or is exceeded by) the sum of the adjusted cost base of the Shares exchanged therefor and any costs associated with the disposition and will acquire the Combined Company Shares at a cost equal to their fair market value at the time of the exchange. Such capital gains (or capital losses) will be subject to the tax treatment described below under "— *Taxation of Capital Gains and Capital Losses*".

A Resident Shareholder who is subject to United States federal income tax on the exchange of their Shares for Combined Company Shares under the U.S. Silver Arrangement may be entitled to a foreign tax credit under the Tax Act in respect of such tax if such Resident Shareholder also has income from a source in the United States for the taxation year of the holder in which the Effective Date occurs. Such Resident Shareholders are urged to consult their own tax advisors to determine whether such a foreign tax credit would be available in their own particular circumstances.

Dividends on Combined Company Shares

In the case of a Resident Shareholder who is an individual, dividends received or deemed to be received on Combined Company Shares will be included in computing the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends that are designated as "eligible dividends".

In the case of a Resident Shareholder that is a corporation, dividends received or deemed to be received on Combined Company Shares will be included in computing the corporation's income and will generally be deductible in computing its taxable income.

A "private corporation" or a "subject corporation" (as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of 33⅓% on dividends received or deemed to be received on such shares to the extent that such dividends are deductible in computing the corporation's taxable income.

Taxable dividends received by individuals and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act.

Disposition of Combined Company Shares

A Resident Shareholder who disposes or is deemed to dispose of Combined Company Shares will generally realize a capital gain (or capital loss) equal to the amount by which the Resident Shareholder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Resident Shareholder of those shares immediately before the disposition. See "— *Taxation of Capital Gains and Capital Losses*" below for a general description of the treatment of capital gains and capital losses under the Tax Act.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain (a "taxable capital gain") realized by a Resident Shareholder in a taxation year must be included in computing the Resident Shareholder's income for that taxation year. One-half of any capital loss (an "allowable capital loss") realized by a Resident Shareholder in a taxation year must generally be deducted against taxable capital gains realized by the Resident Shareholder in that taxation year, to the extent and in the circumstances specified in the Tax Act. Any excess of allowable capital losses over taxable capital gains realized in a particular taxation year may be carried back up to three taxation years and carried forward indefinitely and deducted against net taxable capital gains realized in those other years, to the extent and in the circumstances specified in the Tax Act.

If the Resident Shareholder is a corporation, the amount of any capital loss arising from a disposition or deemed disposition of a Share or Combined Company Share may be reduced by the amount of dividends received or deemed to be received by the corporation on the share, to the extent and under circumstances specified in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Capital gains realized by individuals and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act.

Dissenting Resident Shareholders

A Resident Shareholder who, as a result of the exercise of Dissent Rights, disposes of Shares to the Combined Company in consideration for a cash payment, will be considered to have disposed of the Shares for proceeds of disposition equal to the amount of the cash payment (other than any portion of the payment that is interest awarded by the court). Such dissenting Resident Shareholder will realize a capital gain (or capital loss) equal to the amount by which such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to such dissenting Resident Shareholder of the Shares immediately before the disposition. See "*— Taxation of Capital Gains and Capital Losses*" above for a general description of the treatment of capital gains and capital losses under the Tax Act.

Interest awarded by a court to a Resident Shareholder who is a Dissenting Shareholder will be included in such shareholder's income for purposes of the Tax Act.

Canadian-Controlled Private Corporations

A Resident Shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $^{2}/_{3}$% on certain investment income, including amounts in respect of interest, net taxable capital gains and dividends or deemed dividends not deductible in computing taxable income.

Holders Not Resident in Canada

The following portion of the summary is applicable to a Holder who (i) is not, and is not deemed to be, resident in Canada for purposes of the Tax Act, and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, Shares or Combined Company Shares in connection with carrying on a business in Canada (a "Non-Resident Shareholder"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Shareholder that is an insurer carrying on business in Canada and elsewhere.

Exchange of Shares for Combined Company Shares

A Non-Resident Shareholder who exchanges Shares for Combined Company Shares under the Arrangement will not be subject to tax under the Tax Act on any capital gain realized on the exchange unless (i) the shares disposed of are "taxable Canadian property" of the Non-Resident Shareholder at the time of the exchange and (ii) the Non-Resident Shareholder is not exempt from taxation in Canada on the disposition of such shares under the terms of an applicable income tax convention or treaty. In the event that a Non-Resident Shareholder's Shares are, or are deemed to be, "taxable Canadian property" and such Non-Resident Shareholder is not entitled to an exemption from taxation in Canada on the disposition of such shares under the terms of an applicable income tax convention or treaty, the disposition thereof will generally be subject to the same treatment as described above under the heading "*— Holders Resident in Canada — Exchange of Shares for Combined Company Shares"*. Where a Non-Resident Shareholder's Shares are taxable Canadian property and the Non-Resident Shareholder does not choose to recognize a capital gain (or capital loss) on the exchange of such shares for Combined Company Shares, the Combined Company Shares will be deemed to be taxable Canadian property to the Non-Resident Shareholder at any time that is within 60 months after such exchange.

Generally, a share that is listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX) will not be "taxable Canadian property" of a Non-Resident Shareholder at the time of the disposition provided that at no time during the 60 month period immediately preceding the time of disposition or deemed disposition of such share was both: (i) 25% or more of the issued shares of any class or series of the capital stock of the issuer owned by one or any combination of the Non-Resident Shareholder and persons with whom the Non-Resident Shareholder did not deal at arm's length (within the meaning of the Tax Act); and (ii) more than 50% of the fair market value of the share derived directly or indirectly from one or any combination of: (A) real or immovable property situated in Canada; (B) Canadian resource property (as defined in the Tax Act); (C) timber resource property (as defined in the Tax Act), or (D) options in respect of, or interests in, or for civil law rights in, property described in any

of (A) through (C) above, whether or not such property exists; and the share is not otherwise deemed under the Tax Act to be taxable Canadian property.

Disposition of Combined Company Shares

Any capital gain realized by a Non-Resident Shareholder on the disposition or deemed disposition of Combined Company Shares acquired pursuant to the Arrangement will not be subject to tax under the Tax Act unless (i) such shares are "taxable Canadian property" of the Non-Resident Shareholder at the time of the disposition, and (ii) the Non-Resident Shareholder is not entitled to an exemption from taxation in Canada on the disposition of such shares under the terms of an applicable income tax convention or treaty.

See the discussion above regarding the description of "taxable Canadian property" and the possible application of an applicable income tax convention or treaty.

Dividends on Combined Company Shares

Dividends paid, deemed to be paid, or credited on Combined Company Shares to a Non-Resident Shareholder will be subject to withholding tax under the Tax Act at a rate of 25% of the gross amount of the dividends unless the rate is reduced by an applicable income tax convention or treaty.

Dissenting Non-Resident Shareholders

A Non-Resident Shareholder who, as a result of the exercise of Dissent Rights, disposes of Shares to the Combined Company in consideration for a cash payment, will be subject to the same income tax considerations as those discussed above under "*Holders Resident in Canada – Dissenting Resident Shareholders*", except that such dissenting Non-Resident Shareholders will not be subject to Canadian income tax in respect of any capital gains realized on the disposition of Shares unless the Shares are "taxable Canadian property" of the Non-Resident Shareholder at the time of the exchange (see the discussion above regarding "taxable Canadian property"), and (ii) the Non-Resident Shareholder is not exempt from taxation in Canada on the disposition of the Shares under the terms of an applicable income tax convention or treaty between Canada and the country in which the Non-Resident Shareholder resides.

Any interest awarded to the Non-Resident Shareholder by a court will not be subject to withholding tax under the Tax Act, unless such interest constitutes "participating debt interest" (as defined in the Tax Act).

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman, based on the current provisions of the Tax Act, provided that the Combined Company Shares are listed on a "designated stock exchange" (which currently includes the TSX), the Combined Company Shares, if issued on the date hereof, would be a "qualified investment" under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), tax-free savings accounts ("TFSAs"), registered education savings plans, deferred profit sharing plans or registered disability savings plans.

Notwithstanding the foregoing, if the Combined Company Shares are a "prohibited investment" for a particular TFSA, RRSP or RRIF (a "Registered Plan"), the holder or annuitant of the particular Registered Plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Provided that the holder or annuitant of a particular Registered Plan deals at "arm's length" (as defined in the Tax Act) with the Combined Company and does not hold a "significant interest" (as defined in the Tax Act for the purposes of the prohibited investment rules) in the Combined Company or in any corporation, partnership or trust with which the Combined Company does not deal at arm's length, the Combined Company Shares will not be a prohibited investment for the particular Registered Plan. Holders of Shares should consult with their own tax advisors with respect to the prohibited investment rules (including having regard to any relieving amendments that may be made as a result of a recent comfort letter issued by the Department of Finance).

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain U.S. federal income tax considerations applicable to U.S. Holders and Non-U.S. Holders (as defined below) with respect to the U.S. Silver Arrangement and U.S. Holders with respect to the ownership and disposition of the Combined Company Shares received pursuant to the U.S. Silver Arrangement. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder or Non-U.S. Holder as a result of the U.S. Silver Arrangement or as a result of the ownership and disposition of the Combined Company Shares received pursuant to the U.S. Silver Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular holder that may affect the U.S. federal income tax consequences to such holder, including specific tax consequences under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder or Non-U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to shareholders of the U.S. Silver Arrangement or the acquisition, ownership, and disposition of Shares or the Combined Company Shares. All shareholders should consult their own tax advisor regarding the tax consequences of the U.S. Silver Arrangement, including the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences of the acquisition, ownership, and disposition of Shares and the Combined Company Shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the U.S. Silver Arrangement and the ownership and disposition of the Combined Company Shares received pursuant to the U.S. Silver Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

NOTICE PURSUANT TO TREASURY DEPARTMENT CIRCULAR 230: NOTHING CONTAINED IN THIS SUMMARY CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE CODE (AS DEFINED BELOW). THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS CIRCULAR. EACH HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Scope of This Disclosure

Authorities

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Shares (or after the U.S. Silver Arrangement, the Combined Company Shares) participating in the U.S. Silver Arrangement or exercising Dissent Rights pursuant to the U.S. Silver Arrangement that is for U.S. federal income tax purposes:

- an individual treated as a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. Persons for all substantial decisions or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. Person.

Non-U.S. Holders

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of Shares (or after the U.S. Silver Arrangement, the Combined Company Shares) participating in the U.S. Silver Arrangement or exercising Dissent Rights that is not a U.S. Holder and is not an entity classified as a partnership for U.S. federal income tax purposes.

Transactions Not Addressed

This summary does not address the U.S. federal income tax consequences of transactions effected prior or subsequent to, or concurrently with, the U.S. Silver Arrangement (whether or not any such transactions are undertaken in connection with the U.S. Silver Arrangement), including, without limitation, the following:

- any conversion into Shares or the Combined Company Shares of any notes, debentures or other debt instruments;
- any vesting, conversion, assumption, disposition, exercise, exchange, or other transaction involving any rights to acquire Shares or the Combined Company Shares, including the U.S. Silver Options; and
- any transaction, other than the U.S. Silver Arrangement, in which Shares or the Combined Company Shares are acquired.

Shareholders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations of the U.S. Silver Arrangement to shareholders that are subject to special provisions under the Code, including the following: (a) shareholders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) shareholders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) shareholders that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) shareholders that have a "functional currency" other than the U.S. dollar; (e) shareholders that own Shares (or after the U.S. Silver Arrangement, the Combined Company Shares) as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) shareholders that acquired Shares (or after the U.S. Silver Arrangement, the Combined Company Shares) in connection with the exercise of employee stock options or otherwise as compensation for services; (g) shareholders that hold Shares (or after the U.S. Silver Arrangement, the Combined Company Shares) other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); and, (h) shareholders that own, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Shares (or after the U.S. Silver Arrangement, the Combined Company Shares). This summary also does not address the U.S. federal income tax considerations applicable to shareholders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Shares (or after the U.S. Silver Arrangement, the Combined Company Shares) in connection with carrying on a business in Canada; (d) persons whose Shares (or after the U.S. Silver Arrangement, the Combined Company Shares) constitute "taxable Canadian property" under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. Shareholders that are subject to special provisions under the Code, including shareholders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the U.S. Silver Arrangement and the ownership and disposition of the Combined Company Shares received pursuant to the U.S. Silver Arrangement.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Shares (or after the U.S. Silver Arrangement, the Combined Company Shares), the U.S. federal income tax consequences to such partnership and the partners of such partnership of participating in the U.S. Silver Arrangement

and the ownership of the Combined Company Shares received pursuant to the U.S. Silver Arrangement generally will depend in part on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the U.S. Silver Arrangement and the ownership and disposition of the Combined Company Shares received pursuant to the U.S. Silver Arrangement.

Treatment of U.S. Silver as U.S. Domestic Corporation

U.S. Silver believes that, pursuant to Section 7874 of the Code, even though it is organized as a Canadian corporation, U.S. Silver should be treated as a U.S. domestic corporation for U.S. federal income tax purposes. U.S. Silver's status as a U.S. corporation for U.S. tax purposes generally has implications for both U.S. Holders and Non-U.S. Holders. In particular, the U.S. federal income tax consequences of the U.S. Silver Arrangement to U.S. Holders and Non-U.S. Holders will differ from the consequences that would apply to shareholders exchanging shares of a corporation treated as a Canadian corporation for U.S. tax purposes in a transaction comparable to the U.S. Silver Arrangement. The balance of this discussion assumes that U.S. Silver will be treated as a U.S. domestic corporation and that the Combined Company will not be treated as a U.S. domestic corporation for U.S. federal income tax purposes from and after the U.S. Silver Arrangement.

Application of the Anti-Inversion Rules to the Combined Company

It is expected that the corporate anti-inversion rules of Section 7874 of the Code and the Treasury Regulations thereunder will apply to the Combined Company after the U.S. Silver Arrangement, although complete certainty cannot be attained with respect to the application of the Section 7874 provisions. By its terms, Section 7874 treats a foreign corporation as U.S. domestic corporation if (a) the foreign corporation makes a direct or indirect acquisition of substantially all of the properties held directly or indirectly by a U.S. domestic corporation (the "Acquisition Test"); (b) after the acquisition, at least 80% of the stock of the foreign entity is held by former shareholders of the domestic corporation by reason of their holding stock in the domestic corporation; and (c) after the acquisition, the expanded affiliated group of the acquiring foreign corporation does not have substantial business activities in the foreign country under which the foreign corporation was organized, when compared to the total business activities of the expanded affiliated group. If, immediately after the acquisition, the former shareholders of the domestic corporation instead own at least 60%, but less than 80%, of the stock of the foreign corporation by reason of holding stock in the domestic corporation, then the foreign corporation will be treated as a foreign corporation rather than a domestic corporation, but the expatriated U.S. domestic entity must recognize certain "inversion gain" resulting from the transfer of stock or assets and cannot use any tax attributes, including deductions, losses, or tax credits, to offset such gain for a 10-year period. "Inversion gain" is (a) income or gain recognized by reason of the transfer of stock or other properties or (b) any license income received or accrued by an expatriated entity, but only if the income or gain arises (i) in a transfer taken into consideration in the Acquisition Test, or (ii) subsequently in a transfer or license to a related foreign person. Gain from the sale of Section 1221(a)(1) property (e.g., inventory and stock in trade) to a related foreign person in a transfer not taken into consideration for purposes of the Acquisition Test is not inversion gain.

Because U.S. Silver is classified as a U.S. domestic corporation as discussed above under "— *Treatment of U.S. Silver as U.S. Domestic Corporation*" and it is expected that U.S. Silver shareholders will acquire more than 60%, but less than 80%, of the stock of the Combined Company in the U.S. Silver Arrangement by reason of their ownership in U.S. Silver, the Combined Company should not be treated as a U.S. domestic corporation, but U.S. Silver will not be able to use any deductions, net operating losses, or credits to offset any inversion gain recognized for a period of 10 years for U.S. federal income tax purposes.

Certain U.S. Federal Income Tax Consequences of the U.S. Silver Arrangement to U.S. Holders

Exchange of Shares for the Combined Company Shares

The U.S. Silver Arrangement should qualify as a tax-deferred transaction under Section 368 or Section 351 of the Code. However, pursuant to special rules set forth in Section 367(a) of the Code and the Treasury Regulations promulgated thereunder, a U.S. Holder who exchanges its Shares for Combined Company Shares should recognize gain (but not loss) in an amount equal to the excess, if any, of (a) the fair market value of the Combined Company Shares received (without reduction for any Canadian income tax withheld) in exchange for its Shares and (b) such U.S. Holder's adjusted tax basis in the Shares exchanged. Such gain will generally be capital gain and will generally be

long-term capital gain if such Shares have been held for more than one year at the time of the exchange pursuant to the U.S. Silver Arrangement. Non-corporate U.S. Holders are generally subject to reduced rates of U.S. federal income taxation on long-term capital gains. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. A U.S. Holder that recognizes gain in the U.S. Silver Arrangement should have a tax basis in the Combined Company Shares received in the U.S. Silver Arrangement equal to the fair market value of such Combined Company Shares on the date of receipt, and such U.S. Holder's holding period for such Combined Company Shares should begin on the day after the date of receipt.

If no gain is recognized by a U.S. Holder under Section 367 of the Code on the exchange of Shares for Combined Company Shares pursuant to the U.S. Silver Arrangement, such U.S. Holder should not recognize a loss under the rules applicable to tax-deferred transactions pursuant to Section 368 or Section 351 of the Code. Such U.S. Holder's aggregate tax basis in the Combined Company Shares received should be equal to the U.S. Holder's aggregate tax basis in its Shares exchanged, and the U.S. Holder's holding period in the Combined Company Shares received should include the U.S. Holder's holding period in its Shares exchanged.

U.S. Holders Exercising Dissent Rights

A U.S. Holder that exercises Dissent Rights in the U.S. Silver Arrangement and is paid cash in exchange for all of such U.S. Holder's Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the tax basis of such U.S. Holder in such Shares surrendered. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Shares have been held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

Ownership and Disposition of the Combined Company Shares

The following discussion is subject to the rules described below under the heading "*— Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares.*"

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Combined Company Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the Combined Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the Combined Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Combined Company Shares and thereafter as gain from the sale or exchange of such Combined Company Shares (see "*Sale or Other Taxable Disposition of the Combined Company Shares*" below). However, the Combined Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Combined Company with respect to the Combined Company Shares will constitute ordinary dividend income. Dividends received on the Combined Company Shares generally will not constitute qualified dividend income eligible for the "dividends received deduction."

For tax years beginning before January 1, 2013, a dividend paid by the Combined Company to a U.S. Holder that is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if the Combined Company is a "qualified foreign corporation" (a "QFC") and certain holding period requirements for the Combined Company Shares are met. The Combined Company generally will be a QFC as defined under Section 1(h)(11) of the Code if the Combined Company is eligible for the benefits of the Canada-U.S. Tax Convention or its shares are readily tradable on an established securities market in the U.S. However, even if the Combined Company satisfies one or more of these requirements, the Combined Company will not be treated as a QFC if the Combined Company is a "passive foreign investment company" (or "PFIC," as defined below) for the tax year during which it pays a dividend or for the preceding tax year. See the section below under the heading "*— Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*".

If a U.S. Holder is not eligible for the preferential tax rates discussed above, a dividend paid by the Combined Company to a U.S. Holder generally will be taxed as ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of the Combined Company Shares

Subject to the PFIC rules described below, a U.S. Holder will recognize gain or loss on the sale or other taxable disposition of the Combined Company Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such Combined Company Shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such Combined Company Shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares

If the Combined Company were to constitute a "passive foreign investment company" under the meaning of Section 1297 of the Code (a "PFIC") for any tax year during which a U.S. Holder holds or held the Combined Company Shares, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the ownership and disposition of the Combined Company Shares. The Combined Company generally will be a PFIC under Section 1297 of the Code if, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income (the "income test") or (b) 50% or more of the value of the Combined Company's assets either produce passive income or are held for the production of passive income (the "asset test"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in a trade or business and certain other requirements are satisfied.

For purposes of the PFIC income test and asset test described above, if the Combined Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Combined Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above and assuming certain other requirements are met, "passive income" does not include certain interest, dividends, rents, or royalties that are received or accrued by the Combined Company from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income. Under certain attribution rules, if the Combined Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Combined Company which is also a PFIC (a "Subsidiary PFIC"), and will be subject to U.S. federal income tax on (a) a distribution on the shares of a Subsidiary PFIC or (b) a disposition of shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

Based on current business plans and financial projections, the Combined Company expects that it will not be classified as a PFIC during its tax year ending December 31, 2012 and does not anticipate being a PFIC for the foreseeable future. However, PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurances regarding the PFIC status of the Combined Company during its current tax year or any prior tax year.

In addition, in any year in which the Combined Company is classified as a PFIC, U.S. Holders would be required to file an annual report with the IRS containing such information as U.S. Treasury Regulations and/or other IRS guidance may require. This new filing requirement is in addition to pre-existing reporting obligations that may apply to a U.S. Holder if the Combined Company were classified as a PFIC. Pursuant to recent IRS guidance, this new filing requirement has been temporarily suspended in certain (but not all) cases pending release of revised IRS Form 8621. Additional guidance is also expected regarding the specific information that will be required to be reported on revised IRS Form 8621. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file a revised IRS Form 8621 (after such form is released) for prior taxable years in which the obligation to file such form was suspended.

If the Combined Company were a PFIC in any tax year during which a U.S. Holder held the Combined Company Shares, such holder generally would be subject to special rules with respect to "excess distributions" made by the Combined Company on the Combined Company Shares and with respect to gain from the disposition of the Combined Company Shares. An "excess distribution" generally is defined as the excess of distributions with respect to the Combined Company Shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Combined Company during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the Combined Company Shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the Combined Company Shares ratably over its holding period for the Combined Company Shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year, and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including, without limitation, a "Mark-to-Market Election" under Section 1296 of the Code or a timely and effective election to treat the Combined Company as a "qualified electing fund" under Section 1295 of the Code (a "QEF Election")), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that the Combined Company is a PFIC, the Combined Company can provide no assurances that it will satisfy the record keeping requirements of a PFIC, or that it will make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to the Combined Company or any Subsidiary PFIC. The rules regarding the availability of, and procedure for making, a QEF Election or a Mark-to-Market Election are complex, and U.S. Holders should consult with their own tax advisors regarding the application of such rules and the potential application of the PFIC rules to the ownership and disposition of the Combined Company Shares.

Additional Considerations Applicable to U.S. Holders

Additional Tax on Passive Income

For tax years beginning after December 31, 2012, certain individuals, estates and trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on "net investment income" including, among other things, dividends and net gain from dispositions of property (other than property held in a trade or business). U.S. Holders of the Combined Company Shares should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of the Combined Company Shares.

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the U.S. Silver Arrangement or in connection with the ownership or disposition of the Combined Company Shares may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's

various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the Combined Company Shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Receipt of Foreign Currency

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of the Combined Company Shares, or on the sale, exchange or other taxable disposition of the Combined Company Shares, or any Canadian dollars received in connection with the U.S. Silver Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the U.S. Silver Arrangement), will generally be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of such amount, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting; Backup Withholding Tax

Under U.S. federal income tax law and U.S. Treasury Regulations, certain categories of U.S. Holders of the Combined Company Shares must file information returns with respect to their investment in, or involvement in, the Combined Company. For example, recently enacted legislation generally imposes new U.S. return disclosure obligations (and related penalties) on U.S. investors that hold certain specified foreign financial assets in excess of $50,000. The definition of "specified foreign financial assets" includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. Person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. Person and any interest in a foreign entity. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns under these rules, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman of (a) distributions on the Combined Company Shares, (b) proceeds arising from the sale or other taxable disposition of the Combined Company Shares, or (c) any payments received in connection with the U.S. Silver Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the U.S. Silver Arrangement) generally may be subject to information reporting and backup withholding tax (currently at a rate of 28%) if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding.

Certain U.S. Federal Income Tax Consequences of the U.S. Silver Arrangement to Non-U.S. Holders

Exchange of Shares for the Combined Company Shares

A Non-U.S. Holder who exchanges its Shares for the Combined Company Shares pursuant to the U.S. Silver Arrangement will generally not be subject to U.S. federal income tax on any gain with respect to the U.S. Silver Arrangement unless:

- the gain is effectively connected with the conduct of a trade or business in the United States and, if an income tax treaty applies, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder;
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the U.S. Silver Arrangement, and certain other conditions are met; or
- U.S. Silver is or has been a "U.S. real property holding corporation," as discussed below under "Classification of U.S. Silver as a United States Real Property Corporation," for U.S. federal income tax purposes at any time during the shorter of (a) the five-year period ending on the Effective Date or (b) the period during which the Non-U.S. Holder has owned Shares, and the Non-U.S. Holder has directly, indirectly, or constructively owned 5-percent or more of U.S. Silver's stock at any time during the same period.

If a Non-U.S. Holder's gain is described in the first bullet point above, such Non-U.S. Holder will generally be treated like a U.S. Holder, as described above, and will be subject to U.S. federal income tax on the gain, net of certain deductions, at the rates applicable to U.S. Persons. Corporate Non-U.S. Holders whose gain is described in the first bullet point (and not the third bullet point) above may also be subject to the branch profits tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on such effectively connected income. Individual Non-U.S. Holders described in the second bullet point above will generally be subject to U.S. federal income tax at a flat rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived, which may be offset by U.S.-source capital losses, even though such Non-U.S. Holders are not considered to be residents of the U.S.

Non-U.S. Holders are urged to consult their own tax advisors regarding the tax consequences of the exchange of Shares for the Combined Company Shares pursuant to the U.S. Silver Arrangement and the potential applicability of any income tax treaty.

Classification of U.S. Silver as a United States Real Property Corporation

Based on its assets, U.S. Silver believes that it likely is or has been a United States real property holding corporation, or "USRPHC," as defined for United States federal income tax purposes. Generally, a U.S. corporation will be a USRPHC if, at any time during the prior 5-year period, at least 50% of the value of its real property and certain other assets consist of United States real property interests ("USRPI"). For purposes of these rules, a USRPI includes land, growing crops and timber, and mines, wells and other natural deposits (including, oil and gas properties and deposits) located in the United States as well as equity interests in a USRPHC.

Ordinarily, an exchange of shares of a USRPHC by a Non-U.S. Holder is subject to U.S. tax as if the gain or loss from such exchange were effectively connected with the conduct of a U.S. trade or business. However, if Shares are considered "regularly traded" on an established securities market within the meaning of Section 897 of the Code and the Treasury Regulations issued thereunder, the exchange of Shares for the Combined Company Shares pursuant to the U.S. Silver Arrangement should not be subject to U.S. tax unless such shareholder has directly, indirectly, or constructively owned more than 5-percent of the Shares at any time during the shorter of (a) the five-year period ending on the Effective Date or (b) the period during which the Non-U.S. Holder has owned Shares. For this purpose, constructive ownership generally includes ownership through corporations and other entities and pursuant to options, warrants or other securities convertible into or exercisable for U.S. Silver stock. Non-U.S. Holders who own more than 5-percent of Shares will be subject to U.S. federal income tax on any gain derived in the U.S. Silver Arrangement. Non-U.S. Holders should consult their own tax advisors regarding whether they own or have owned 5-percent or more of U.S. Silver's stock during the relevant time period under the applicable U.S. federal income tax rules.

Shares in a company will be treated as regularly traded on an established domestic securities market for any calendar quarter during which they are regularly quoted by brokers or dealers making a market in such shares. A

company's shares will also be considered to be regularly traded on an established securities market if they are traded on an over-the-counter market, which the Treasury Regulations define as any market reflected by the existence of an "interdealer quotation system." An interdealer quotation system is a system comprised of brokers and dealers that regularly circulate stock and securities quotations by identified brokers or dealers.

Because U.S. Silver believes that its shares are currently traded on an "over-the-counter market," as defined above, U.S. Silver expects that its shares should be treated as regularly traded on an established securities market for purposes of the applicable U.S. Treasury Regulations. However, no assurances can be given regarding whether U.S. Silver will satisfy the regularly traded exception on the Effective Date. If U.S. Silver's Shares are considered regularly traded on an established securities market, a Non-U.S. Holder should not recognize taxable gain for U.S. federal income tax purposes with respect to the exchange of shares in the U.S. Silver Arrangement, unless the Non-U.S. Holder has owned, either actually or under certain attribution rules, more than 5-percent of U.S. Silver's Shares at any time during the time period described above (a "5-Percent Non-U.S. Holder"). With respect to a 5-Percent Non-U.S. Holder, the Combined Company will be required to withhold 10% of the gross fair market value of its shares being issued in exchange for a Non-U.S. Holder's Shares pursuant to Section 1445 of the Code.

If U.S. Silver's Shares are not considered to be regularly traded on an established securities market, the Combined Company will be required to withhold 10% of the gross fair market value of its shares being issued in exchange for a Non-U.S. Holder's Shares pursuant to Section 1445 of the Code. In addition, the amount withheld is credited against such holder's U.S. tax liability.

Non-U.S. Holders are urged to consult with their own tax advisors concerning these withholding tax rules including the withholding certificate procedures which may reduce or eliminate such withholding tax.

Non-U.S. Holders Exercising Dissent Rights

A Non-U.S. Holder who exercises Dissent Rights in the U.S. Silver Arrangement generally should not be taxed on the receipt of cash in exchange for all of such Non-U.S. Holder's Shares except in the circumstances described above under the heading "— *Exchange of Shares for the Combined Company Shares*". Amounts that are or are deemed to be interest for U.S. federal income tax purposes will be subject to withholding tax unless an exemption applies or the rate is reduced under an applicable treaty.

RISK FACTORS

In addition to the other information contained in or expressly incorporated by reference in this Circular (including the risk factors applicable to the Corporation contained under the heading "*Risk Factors*" in the Corporation's Annual Information Form), the following factors should be considered carefully when considering risks related to the Combination Transaction and the Combined Company.

These risks and uncertainties are not the only ones U.S. Silver, RX Gold and the Combined Company may face nor do they include all risks and uncertainties associated with the Combination Transaction. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial may also exist. If any of such risks actually occur, the Corporation's business, prospects, financial condition, cash flows, and operating results could be materially adversely affected.

If the Combination Transaction is completed, the Combined Company will also likely continue to face many risks currently identified with respect to the business and affairs of RX Gold. Certain of these risk factors have been disclosed in RX Gold's 2012 management's discussion and analysis dated October 20, 2011 in the section entitled "*Risks and Uncertainties*" starting on page 11, which is incorporated by reference into this Circular and has been filed under RX Gold's profile on SEDAR at www.sedar.com, and in the section entitled "*Information About RX Gold — Risk Factors*" in Appendix I.

Risks Relating to the Combination Transaction

Failure to complete the Combination Transaction with RX Gold could negatively impact the market price of Shares and future business and financial results.

Pursuant to the Combination Agreement, there are a number of important conditions that must be satisfied before the Combination Transaction can be completed, including, among other things, conditions relating to:

- the U.S. Silver Shareholder Approval;
- the RX Gold Shareholder Approval;
- the Final Order;
- the RX Gold Final Order; and
- Stock Exchange Approval.

If the Combination Transaction is not completed for any reason, the Corporation's ongoing business and financial results may be adversely affected. In addition, if the Combination Transaction is not completed, the Corporation will be subject to a number of additional risks, including the following:

- under the terms of the Combination Agreement, in certain circumstances, if the Combination Transaction is not completed by reason of certain circumstances, the Corporation will be required to pay a termination fee to RX Gold as described under "*The Combination Transaction – The Combination Agreement – Termination and Termination Fee*"; and
- the market price of the Shares may decline to the extent that the current market price of the Shares reflects a market assumption that the Combination Transaction will be completed and that the related anticipated benefits will be realized, or as a result of the market's perceptions that the Combination Transaction was not consummated due to an adverse change in the Corporation's business or financial condition.

Whether or not the Combination Transaction is completed, the pending Combination Transaction could adversely affect the Corporation's operations because:

- matters relating to the Combination Transaction require substantial commitments of time and resources by the Corporation's management and employees, which could otherwise have been devoted to other opportunities that may have been beneficial to the Corporation;
- the Corporation's ability to retain its existing employees and consultants may be harmed by uncertainties associated with the Combination Transaction, and the Corporation may be required to incur costs to recruit replacements for lost personnel; and

- shareholder lawsuits could be filed against the Corporation challenging the Combination Transaction. If this occurs, even if the lawsuits are groundless and the Corporation ultimately prevails, it may incur substantial legal fees and expenses defending these lawsuits, and the Combination Transaction may be prevented or delayed.

The Corporation cannot guarantee when, or whether, the Combination Transaction will be completed, that there will not be a delay in the completion of the Combination Transaction or that all or any of the anticipated benefits of the Combination Transaction will be realized. If the Combination Transaction is not completed or is delayed, the Corporation may experience the risks discussed above, among others, which may adversely affect the Corporation's business or financial condition.

The Combination Transaction is subject to satisfaction or waiver of several conditions.

The Combination Transaction is conditional upon, among other things, U.S. Silver Shareholder Approval, RX Gold Shareholder Approval, the Final Order, the RX Gold Final Order and the Stock Exchange Approval. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions could have an adverse effect on the business, financial condition or results of operations of the Corporation.

If the Combination Transaction is completed, current Shareholders will experience dilution.

Current Shareholders will experience immediate dilution if the Combination Transaction is completed. Further dilution may occur if the Combined Company chooses to acquire additional businesses in the future and to pay or partially pay for such acquisitions by the issuance of Shares.

If the Combination Transaction is completed, the influence of current Shareholders on management of the Combined Company will be reduced. If the Combination Transaction is consummated, as at the Effective Time, current Shareholders will hold, in the aggregate, approximately 70% of the issued and outstanding shares of the Combined Company and RX Gold Shareholders will hold, in the aggregate, approximately 30% of the issued and outstanding shares of the Combined Company.

The Corporation will incur combination-related and restructuring costs in connection with the Combination Transaction, some of which will be incurred even if the Combination Transaction is never completed.

The Corporation expects that it will be obligated to pay fees and other expenses related to the Combination Transaction of approximately $1.5 million, including its financial advisors' fees, filing fees, legal and accounting fees, soliciting fees, regulatory fees and mailing costs. This amount is a preliminary estimate and the actual amount may be higher or lower but a significant portion of these fees and expenses will be incurred even if the Corporation does not complete the Combination Transaction.

Actual results may be less favourable than estimates.

The level of production and capital and operating cost estimates relating to the expanded portfolio of projects are based on certain assumptions and are inherently subject to significant uncertainties. It is very likely that actual results for future projects will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions which could reduce production below, and/or increase capital and/or operating costs above, current estimates. If actual results are less favourable than current estimates, the Combined Company's business or financial condition and liquidity could be materially adversely impacted. See "*— Risks Relating to RX Gold and the Combined Company — The Combined Company may not realize the benefits of growth*".

Risks Relating to the Business of U.S. Silver

U.S. Silver is Classified as a U.S. Domestic Corporation for U.S. Federal Income Tax Purposes and, as a result, the Combined Company is expected to be subject to certain adverse tax consequences under the anti-inversion rules of Section 7874 of the Code.

U.S. Silver believes that, pursuant to Section 7874 of the Code, even though it is organized as a Canadian corporation, U.S. Silver should be treated as a U.S. domestic corporation for U.S. federal income tax purposes. U.S.

Silver's status as a U.S. corporation for U.S. tax purposes generally has implications for both U.S. Holders and Non-U.S. Holders. In particular, the U.S. federal income tax consequences of the U.S. Silver Arrangement to U.S. Holders and Non-U.S. Holders will differ from the consequences that would apply to shareholders exchanging shares of a corporation treated as a Canadian corporation for U.S. tax purposes in a transaction comparable to the U.S. Silver Arrangement. See "*Certain United States Federal Income Tax Considerations — Treatment of U.S. Silver as U.S. Domestic Corporation*" above.

It is expected that the corporate anti-inversion rules of Section 7874 of the Code and the Treasury Regulations thereunder will apply to the Combined Company after the U.S. Silver Arrangement, although complete certainty cannot be attained with respect to the application of the Section 7874 provisions. By its terms, Section 7874 treats a foreign corporation as a U.S. domestic corporation if (a) the foreign corporation makes a direct or indirect acquisition of substantially all of the properties held directly or indirectly by a U.S. domestic corporation (the "Acquisition Test"); (b) after the acquisition, at least 80% of the stock of the foreign entity is held by former shareholders of the domestic corporation by reason of their holding stock in the domestic corporation; and (c) after the acquisition, the expanded affiliated group of the acquiring foreign corporation does not have substantial business activities in the foreign country under which the foreign corporation was organized, when compared to the total business activities of the expanded affiliated group. If, immediately after the acquisition, the former shareholders of the domestic corporation instead own at least 60%, but less than 80%, of the stock of the foreign corporation by reason of holding stock in the domestic corporation, then the foreign corporation will be treated as a foreign corporation rather than a domestic corporation, but the expatriated U.S. domestic entity must recognize certain "inversion gain" resulting from the transfer of stock or assets and cannot use any tax attributes, including deductions, losses, or tax credits, to offset such gain for a 10-year period. "Inversion gain" is (a) income or gain recognized by reason of the transfer of stock or other properties or (b) any license income received or accrued by an expatriated entity, but only if the income or gain arises (i) in a transfer taken into consideration in the Acquisition Test, or (ii) subsequently in a transfer or license to a related foreign person. Gain from the sale of Section 1221(a)(1) property (e.g., inventory and stock in trade) to a related foreign person in a transfer not taken into consideration for purposes of the Acquisition Test is not inversion gain.

Because U.S. Silver is classified as a U.S. domestic corporation as discussed above and it is expected that Shareholders will acquire more than 60%, but less than 80%, of the stock of the Combined Company in the U.S. Silver Arrangement by reason of their ownership in U.S. Silver, the Combined Company should not be treated as a U.S. domestic corporation, but U.S. Silver will not be able to use any deductions, net operating losses, or credits to offset any inversion gain recognized for a period of 10 years for U.S. federal income tax purposes. See "*Certain United States Federal Income Tax Considerations — Application of the Anti-Inversion Rules to the Combined Company*" above.

Based on its assets, U.S. Silver believes that it likely is a United States real property holding corporation, or "USRPHC", as defined for United States federal income tax purposes. If U.S. Silver were classified as a USRPHC, any gain from the sale or other disposition, including a redemption, of Shares by the Combined Company would be subject to U.S. federal income taxation and the Combined Company would be required to file a United States federal income tax return. In such circumstances, the purchaser of such Shares would be required to withhold from the purchase price an amount equal to 10% of the purchase price and remit such amount to the U.S. Internal Revenue Service. In addition, since, as noted above, U.S. Silver is classified as a U.S. domestic corporation, the gross amount of dividends paid by U.S. Silver to the Combined Company will be subject to U.S. withholding tax at the current rate of 5% under the *Canada-United States Tax Convention*. Any U.S. tax or withholding tax paid by or on behalf of the Combined Company in respect of a gain on the sale or other disposition of Shares or a dividend paid on the Shares generally will be eligible, in the case of a gain, for foreign tax credit and, in the case of a dividend, for foreign tax credit or deduction treatment where applicable under the Tax Act. Generally, a foreign tax credit in respect of a tax paid to a particular foreign country is limited to the Canadian tax otherwise payable in respect of income from sources in that country. Any gain from the sale or other disposition, including a redemption, of Shares and dividends received on the Shares by the Combined Company may not be treated as income sourced in the United States for these purposes.

For a discussion of certain U.S. federal income tax considerations applicable to U.S. Holders and Non-U.S. Holders with respect to the U.S. Silver Arrangement and U.S. Holders with respect to the ownership and disposition of the Combined Company Shares received pursuant to the U.S. Silver Arrangement, see "*Certain United States Federal Income Tax Considerations*" above. All Shareholders should consult their own tax advisors regarding the tax consequences of the U.S. Silver Arrangement.

Additional Risk Factors.

For a complete discussion of the risks associated with the Corporation, please refer to the section entitled "*Risk Factors*" beginning on page 18 of the Corporation's Annual Information Form, incorporated herein by reference.

Risks Relating to RX Gold and the Combined Company

The business of the Combined Company will be subject to risks currently affecting the businesses of U.S. Silver and RX Gold.

For a discussion of the businesses of the Corporation and RX Gold, together with factors to consider in connection with those businesses, please see the documents incorporated by reference into this Circular including the Corporation's Annual Information Form, the section of this Circular under the heading "*Information About U.S. Silver*", the discussion of RX Gold's business and the risks associated under the heading "*Information About RX Gold – Risk Factors*" in Appendix I, and the description of the Combined Company under the heading "*Information About the Combined Company*" in Appendix H.

The Combined Company will require significant capital expenditures to continue exploration and development activities, and, if warranted, to develop new mining opportunities.

Upon completion of the Combination Transaction, substantial expenditures will be required to develop and to continue with exploration at the U.S. Silver and RX Gold properties. In order to explore and develop these projects and properties, the Combined Company may be required to expend significant amounts for, among other things, geological, geochemical and geophysical analysis, drilling, assaying, and, if warranted, mining and infrastructure feasibility studies.

The Combined Company may not benefit from any of these investments if it is unable to identify commercially exploitable mineralized material. If successful in identifying reserves, it will require significant additional capital to construct facilities necessary to extract recoverable metal from those reserves.

The ability of the Combined Company to achieve sufficient cash flows from internal sources and obtain necessary funding depends upon a number of factors, including the state of the worldwide economy and the price of gold and silver. The Combined Company may not be successful in achieving sufficient cash flows from internal sources and obtaining the required financing for these or other purposes on terms that are favourable to it or at all, in which case its ability to continue operating may be adversely affected. Failure to achieve sufficient cash flows and obtain such additional financing could result in delay or indefinite postponement of further exploration or potential development.

RX Gold's operations are in a jurisdiction new to the Corporation.

RX Gold's operations and certain properties are located in the state of Montana. The Corporation has not conducted any operations in Montana to date. Operations, development and exploration activities carried out by RX Gold are or may be affected to varying degrees by taxes and government regulations relating to such matters as environmental protection, land use, water use, health, safety, labour, restrictions on production, price controls, maintenance of mineral rights, mineral tenure, and expropriation of property.

Any changes in the laws relating to mining in Montana may materially affect the rights and title to the interests held there by RX Gold. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties. The effect of any of these factors (if any) cannot be accurately predicted.

There can be no certainty that the Combined Business' exploration and development activities will be commercially successful.

Substantial efforts and compliance with regulatory requirements are required to establish mineral reserves through drilling and analysis, to develop metallurgical processes to extract metal and, in the case of development properties, to develop and construct the mining and processing facilities and infrastructure at any site chosen for mining. Shareholders cannot be assured that any reserves or mineralized material acquired or discovered will be in sufficient quantities to justify commercial operations.

The RX Gold properties could be subject to regulatory risks, a portion of which Shareholders will assume after the Combination Transaction and which could expose the Combined Company to significant liability and delay, suspension or termination of exploration and development efforts.

The RX Gold properties are subject to federal, state and local regulations (including environmental regulation) which mandate, among other things, the maintenance of air and water quality as well as land reclamation.

Certain environmental regulations may also impose limitations on the generation, transportation, storage and disposal of certain types of mining-generated waste. Current environmental legislation and regulation is evolving, requiring stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. Any future changes in environmental regulation, if any, may adversely affect the operations of the Combined Company, make those operations prohibitively expensive, or prohibit them altogether.

It is also important to note that environmental hazards may exist on the properties in which the Combined Company may hold interests in the future that are unknown to the Corporation at the present and that have been caused by RX Gold, previous owners or operators, or that may have occurred naturally. These potential environmental matters concerning the properties of RX Gold may cause the Combined Company to be liable for remediating any damage that RX Gold or a previous operator may have caused. The liability could include response costs as well as the payment of certain fines and penalties.

Mineral resource figures pertaining to RX Gold's properties are only estimates and are subject to revision based on developing information.

Information pertaining to RX Gold's mineral resources presented in this Circular, including such information as it pertains to the Drumlummon property are estimates and no assurances can be given as to their accuracy.

Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and mining feasibility studies. Actual mineralization may be different from that interpreted and/or estimated. Mineral reserve and mineral resource estimates are materially dependent on the prevailing price of minerals, including gold, silver and the cost of recovering and processing minerals at the individual mine sites. Market fluctuations in the price of minerals or increases in recovery costs, as well as various short-term operating factors, may cause a mining operation to be unprofitable in any particular accounting period.

The estimates of mineral resources attributable to any specific property of RX Gold are based on accepted geological, engineering and evaluation principles. The estimated amount of contained metals in proven and probable mineral reserves does not necessarily represent an estimate of a fair market value of the evaluated properties.

The Combined Company may not realize the benefits of growth.

As part of its strategy, the Combined Company will continue U.S. Silver's and RX Gold's respective efforts to develop new projects and will have an expanded portfolio of such projects as a result of the completion of the Combination Transaction. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical and technological risks, uncertainties relating to capital and other costs and financing risks. The level of production and capital and operating cost estimates relating to the expanded portfolio of projects are based on certain assumptions and are inherently subject to significant uncertainties.

The Combined Company may be subject to significant operating risks associated with its expanded operations.

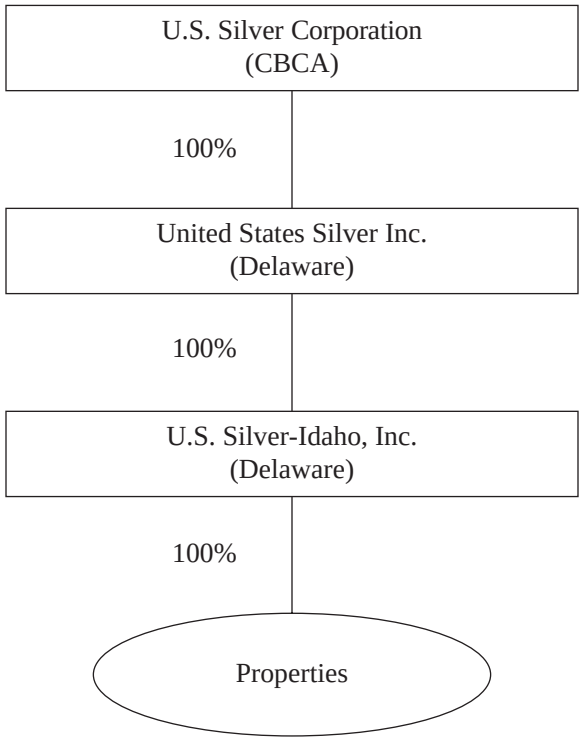
The Combined Company will continue to be subject to risks normally encountered in the mining and metals industry. Such risks include, without limitation, environmental hazards, industrial accidents, labour disputes, changes in laws, technical difficulties or failures, late delivery of supplies or equipment, unusual or unexpected geological formations, unanticipated ground, grade or water conditions, flooding, periodic or extended interruptions due to the unavailability of materials and force majeure events. Such risks could result in damage to, or destruction of, properties or producing facilities, personal injury, environmental damage, delays in mining or processing, losses and possible legal liability.

Any prolonged downtime or shutdowns at the Combined Company's mining or processing operations could materially adversely affect the Combined Company's business or financial condition.

INFORMATION ABOUT U.S. SILVER

Corporate Structure

U.S. Silver (formerly Chrysalis Capital III Corporation) was incorporated pursuant to articles of incorporation dated March 23, 2006 under the OBCA. On February 28, 2007, the Corporation filed articles of amendment to change its name from Chrysalis Capital III Corporation to U.S. Silver Corporation. On June 25, 2007, the Corporation filed Articles of Continuance and continued under the CBCA. The principal and registered office of the Corporation is located at Suite 2702, 401 Bay St., Toronto, Ontario, M5H 2Y4.



Description of the Business

General

The Corporation, through its wholly-owned subsidiaries, owns and administers the operating Galena Mine and Mill, the Coeur Mill and the non-operating Coeur Mine and exploration land and the Caladay Project in the Coeur d'Alene Mining District in northern Idaho, with the Galena Mine being the second most prolific silver mine in United States history.

Collectively, the mines and properties total 14,000 acres of patented and unpatented mining claims of which 11,000 acres are contiguous. They have a historical cumulative production of over 220 million ounces of silver and associated by-product metals of copper and lead over a modern production history of more than fifty years.

Acquisition of Coeur Silver Valley

In 1995, a joint venture Corporation was created between ASARCO LLC and Coeur d'Alene Mines Corporation called Silver Valley Resources, which owned the Galena, Coeur and Caladay mines. In 1999, Coeur d'Alene Mines Corporation purchased 100% of the assets of Silver Valley Resources and named the operation Coeur Silver Valley. This wholly-owned subsidiary was purchased 100% by U.S. Silver in June 2006 for US$15 million.

The Corporation commenced production of silver-lead ore during the fourth quarter of 2007 and restarted the Coeur Mill to process the silver-lead ores. Development activities were focused on the exploration and development of the multiple areas where silver-lead ores were identified in historic workings or drill holes in the Galena Mine. Exploration and development activity produced silver-lead ores on the 2400, 3000, 3700 and 5200 levels by the end of 2008. Silver-lead ore is now being produced from all of these levels. With the activation of the second circuit in the Galena Mill, the silver-lead ore was processed there and the Coeur Mill was placed on care and maintenance in January 2009. In late April 2009, the ball mill in the second circuit failed and the Coeur Mill was restarted. It remains in operation today.

The rehabilitation of the Galena shaft began in 2007. Two separate ground failures in the Galena shaft in 1999 and 2000 resulted in the inability to use the shaft from the 2400 level to the 3200 level. The repair was stopped in mid-January, 2009 as part of an effort to conserve cash. As a result of the successful completion of the Corporation's equity offering of July 16, 2009, the repair of the Galena shaft resumed on July 27, 2009.

The Galena shaft rehabilitation was substantially completed in March 2010. There are now 830 vertical feet of concrete shaft that is expected to require minimal maintenance in the future. Completion also provides direct access to the 3400 level and allows for the resumption of mining in the higher-grade slopes above that level.

The repaired shaft is initially being used for hoisting men and materials. This is expected to significantly increase time available for ore and waste hoisting in the No. 3 shaft and enhances access to a number of key silverlead and silver-copper resources in the upper levels of the mine. New ore skips were ordered and by the end of 2011, ore and waste were being hoisted up the Galena shaft, something that had not been done since 1990.

Coeur Mine and Mill

The Coeur Mine was originally a production mine from 1969 to 1998. In 2007, the Corporation decided to reactivate the Coeur Mill to process lead-silver ore produced at the Galena Mine. To achieve this, the Corporation rehabilitated the 3400 level of the Coeur Mine (the 3700 level of the Galena Mine) haulage way connecting the Galena Mine to the Coeur shaft, a distance of about 1.5 miles. The reconditioning effort involved ground support and installation of new rail and utilities as well as moving the primary ventilation fans. The Coeur Mill was also reconditioned and commissioned in early September 2007. The Coeur Mill ran until January 2009, when it was placed on care and maintenance after the second circuit in the Galena Mill was activated. The Coeur Mill was reactivated in April 2009 and has run continuously since then.

The re-development of the Coeur Mine by the Corporation has begun. The funds raised by the Corporation in the September 29, 2010 bought deal private placement were in part allocated to the redevelopment of the Coeur Mine. Additional exploration drilling to better define the resource and optimize the development program have commenced. U.S. Silver completed 4,022 feet of diamond drilling at the Coeur Mine in May, June and July of 2011, and the drilling continues. Drilling has been focused upon validating resource blocks local to the 3400 level, 425 vein as applicable to prefeasibility. All drill hole penetrations within the outlined resource blocks proved positive. Additional, sub-track resources have been defined with subsequent adjacent exploration drilling. Re-evaluation of the resource blocks with the updated drilling results is currently being conducted. Expected costs of re-development are US$7 million, and expected annual production once the mine is fully operational is expected to be 500,000 ounces of silver. The ore volumes can be easily accommodated within existing milling capacity.

Caladay Mine

The Corporation is reviewing available data on the Caladay exploration property. The Caladay Mine adjoins the producing Galena Mine to the east. The Caladay shaft lies approximately 7,300 feet southeast of the Galena Mine's No. 3 shaft. The two mines are interconnected on the 4900 foot level of the Galena Mine.

In the early 1980's, a joint venture between Day Mines, Inc., Callahan Mining Corp., and ASARCO LLC spent approximately US$32.5 million on the Caladay property to construct surface facilities, a 5,100 foot deep shaft, and limited underground workings to explore the property. The historical underground exploration program undertaken in the late 1980's included 94 drill holes and identified silver-copper and silver-lead mineralization. There is a significant historical resource in this zone based on the 94 drill holes, which is not currently compliant with NI 43-101 and therefore not included in the

Corporation's current NI 43-101 estimates. This historical drill program was designed to extend the "Silver Belt" of the Coeur d'Alene District further east by delineating the down plunge extensions from the Galena Mine. Exploration was curtailed in 1989 due to the softening of the metals markets. As a result, exploration on the property remains incomplete. The Corporation's review of the historic data has identified a large zone of apparent mineralization. This zone may extend into the Galena Mine, as evidenced by historic drilling within the Galena Mine. Additional drilling is underway to test the zone of apparent mineralization. The Caladay facilities benefit the Galena Mine operations through improved ventilation, possible additional ore and waste hoisting capacity, and as a potential secondary escape way. The Corporation has maintained the hoist and with installation of new hoist ropes and additional upgrades and repairs, the shaft will be fully functional.

Share Capital

The Corporation is authorized to issue an unlimited number of Shares. Shareholders are entitled to dividends as and when declared by the Board, to receive notice of and one vote per Share at meetings of Shareholders, and upon liquidation, to share equally in such assets of the Corporation as are distributable to the Shareholders.

On January 13, 2012, the Board approved a consolidation of the Shares on a basis of five pre-consolidation Shares for each one post-consolidation Share.

Dividends

The Corporation has not, since its incorporation, paid any dividends on any of its Shares and it is not contemplated that any dividends will be declared on the Shares in the immediate or foreseeable future. The Board will determine any future dividend policy on the basis of earnings, the Corporation's financial position, and other relevant factors.

Purchase and Sale of Securities

On February 16, 2012, the TSX provided acceptance of the Corporation's notice of intention to make a normal course issuer bid ("NCIB") through the facilities of the TSX from February 21, 2012 to February 20, 2013. Under its NCIB, the Corporation was permitted to purchase up to 3,092,727 of its Shares, representing approximately 5% of the Corporation's issued and outstanding Shares. All purchases under the NCIB were made in accordance with the policies and rules of the TSX. The Corporation paid the market price at the time of acquisition for any Shares purchased under the NCIB. The Corporation has cancelled shares purchased under the NCIB. During the previous 12 months, the Corporation purchased and cancelled 963,200 of its outstanding Shares under the NCIB through the facilities of the TSX at a weighted average price per Share of $1.8089 (excluding commissions).

Other than as described above, the Corporation has not purchased or sold any Shares, excluding Shares purchased or sold pursuant to the exercise of employee stock options, warrants and conversion rights, during the 12 months prior to the date of this Circular.

Market for Securities

U.S. Silver Common Shares

The Shares are listed and posted for trading on the TSX under the stock symbol "USA". The closing price of the Shares on the TSX on June 6, 2012, the date immediately prior to the public announcement of the proposed Combination Transaction, was $1.46. The closing price of the Shares on the TSX on July 6, 2012 was $1.39.

The following table shows, for the periods indicated, the high and low trading prices of the Shares and the volume of trading on the TSX according to published sources:

Month	High	Low	Volume
2012			
July (July 1 to July 6)	$1.55	$1.39	316,100
June	$1.64	$1.18	2,734,270
May	$1.77	$1.10	3,068,505
April	$2.16	$1.50	3,970,744
March	$2.55	$2.07	3,511,466
February	$2.74	$2.00	4,226,210
January	$2.52	$1.27	3,678,530
2011			
December	$2.75	$1.95	2,283,723
November	$3.15	$2.43	2,881,802
October	$3.00	$2.23	2,896,977
September	$3.65	$2.50	6,157,061
August	$3.60	$2.50	5,806,970
July	$3.45	$2.48	3,655,673
June	$2.95	$2.20	3,549,038

Legal Proceedings

There are no legal proceedings involving the Corporation or its properties as of the date of this Circular and the Corporation knows of no such proceedings currently being contemplated.

Interest of Informed Persons in Material Transactions

Upon completion of the Combination Transaction, in connection with Gordon E. Pridham's resignation as Interim Chief Executive Officer of the Corporation, Mr. Pridham will receive a pro-rated annual incentive plan payment equal to $200,000. Such payment was earned by Mr. Pridham for achieving pre-established general corporate and strategic goals at U.S. Silver during his tenure as Interim Chief Executive Officer. The pro-rated annual incentive plan payment was recommended by the Compensation Committee of U.S. Silver and approved by the Board.

Upon completion of the Combination Transaction, Christopher J. Hopkins, U.S. Silver's Chief Financial Officer, will cease to hold the position of Chief Financial Officer. In order to ensure continuity following the completion of the Combination Transaction, Mr. Hopkins has agreed to enter into an amendment to his employment agreement pursuant to which he will provide transitional services to the Combined Company in respect of the role of Chief Financial Officer for a period not to exceed 6 months from the Effective Date. Mr. Hopkins will receive the same base salary received under his existing employment agreement. In addition, following such period, Mr. Hopkins will receive a lump sum payment equal to one year of his current base salary, provided the employment agreement is not terminated earlier pursuant to its terms.

Pursuant to the governance arrangements under the Combination Agreement, U.S. Silver and RX Gold have agreed that the position of Chief Operating Officer will be assumed by Robert M. Taylor upon completion of the Combination Transaction. Steve Long, who is the current Chief Operating Officer of U.S. Silver, will continue with the Combined Company as Senior Vice President, Operations. Accordingly, Mr. Long will enter into an amendment to his existing employment agreement to reflect his new position with the Combined Company. In consideration for entering into such amended employment agreement, upon completion of the Combination Transaction, Mr. Long will receive a

one-time retention bonus of $137,500 which is equal to 6 months of his current base salary. Certain terms in Mr. Long's employment agreement will also be amended to reflect his new position, including provisions relating to payment in the event of a change in control of the Combined Company and participation levels in the annual incentive plan of the Combined Company. The remaining terms of his amended employment agreement will remain substantially the same.

Except as otherwise disclosed in this Circular, the directors are not aware of any material interest of any director or executive officer of the Corporation, or any person who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the Shares, in the Combination Transaction, in any other matter to be acted upon at the Meeting, or in any other transaction since January 1, 2012 which has materially affected or would materially affect the Corporation or any of its subsidiaries.

Indebtedness of Directors and Officers

As of the date hereof and during the most recently completed financial year, no director or executive officer of the Corporation, nor any associate thereof, is or was indebted to the Corporation or subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

INFORMATION ABOUT THE COMBINED COMPANY

Please refer to Appendix H to this Circular for a detailed description of the Combined Company, including the unaudited consolidated pro forma financial statements of the Combined Company, the unaudited pro forma statement of financial position of the Combined Company, the Combined Company Option Plan, the Combined Company Audit Charter and the Mandate of the Combined Company Board.

Appendix H is a summary of the Combined Company and its businesses and operations which should be read together with the other information and statements contained in this Circular. The information contained in Appendix H, unless otherwise indicated, is given as of the date of this Circular. Unless otherwise indicated, the information contained in Appendix H has been prepared assuming that the Combined Company Shares have been issued and that the Combined Company owns all of the outstanding common shares of both U.S. Silver and RX Gold.

INFORMATION ABOUT RX GOLD

Please refer to Appendix I to this Circular for a detailed description of RX Gold, including a list of documents with respect to RX Gold incorporated herein by reference.

Appendix I is a summary of RX Gold and its business and operations, which should be read together with the other information and statements contained in this Circular. The information contained in Appendix I, unless otherwise indicated, is given as of the date of this Circular.

INTERESTS OF EXPERTS

Except as described below or elsewhere in this Circular, no person named as having prepared or certified a statement, report, valuation or opinion described or included in this Circular holds any beneficial interest, direct or indirect, in any of our Shares or property or in the Shares or properties of any of our associates, or affiliates and no such person is expected to be elected, appointed or employed as one of our directors, officers or employees or as a director, officer or employee of any of our affiliates.

Cormark prepared the Fairness Opinion included in this Circular as set out in Appendix D. See "*The Combination Transaction – Fairness Opinion*". Cormark is not an insider, associate, or affiliate of U.S. Silver or RX Gold and is not an advisor to any person other than to the Corporation with respect to the Combination Transaction. Other than as described in the Fairness Opinion, Cormark has not entered into any other agreements or arrangements with U.S. Silver, RX Gold, the Combined Company or any of their respective affiliates with respect to any future dealings. Under

its engagement letter with Cormark, U.S. Silver has agreed to pay Cormark a fee in respect of preparing and delivering the Fairness Opinion as well as an additional fee that is contingent upon the completion of the Combination Transaction.

PricewaterhouseCoopers LLP are the auditors of the Corporation. For the year ended December 31, 2011, PricewaterhouseCoopers LLP has provided the audit report that forms part of the Corporation's audited annual financial statements which are incorporated herein by reference and filed under the Corporation's profile on SEDAR at www.sedar.com. PricewaterhouseCoopers LLP has confirmed to the Corporation that they are independent of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

The Corporation's Technical Report on the Galena Mine entitled "Technical Report, Galena Project, Shoshone County, Idaho" is dated March 19, 2012 and was prepared by Fred Barnard, PhD. and Steve Milne, P.E. of Chlumsky, Armbrust and Meyer, LLC. Each of Mr. Barnard and Mr. Milne is a "Qualified Person" as defined in NI 43-101, and do not hold any securities of U.S. Silver or held any such securities when they prepared the Technical Report or following the preparation of the Technical Report nor did they receive any direct or indirect interest in U.S. Silver in connection with the preparation of the Technical Report. Additional information relating to the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com.

Certain legal matters relating to the Combination Transaction are to be passed upon by Stikeman, Toronto, Ontario and Dorsey & Whitney LLP, Toronto, Ontario ("Dorsey"). Neither Stikeman or Dorsey or any respective partner or associate thereof, has received or will receive a direct or indirect interest in the property of U.S. Silver, RX Gold or the Combined Company. As of the date hereof, the respective partners and associates of Stikeman and Dorsey beneficially own, directly or indirectly, less than 1% of the issued and outstanding of each of Shares and RX Gold Shares.

OTHER BUSINESS

Management is not aware of any matter intended to come before the Meeting other than those items of business set forth in the attached Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote in respect of those matters in accordance with their judgment.

ADDITIONAL INFORMATION

If you have any questions that are not answered by this Circular, or would like additional information, you should contact your professional advisors. You can also contact Phoenix Advisory Partners, the proxy solicitation firm engaged by the Corporation, toll-free at 1-800-240-2133 or outside North America at 201-806-2222 or by email at inquiries@phoenixadvisorypartners.com should you have any questions regarding voting of your Shares. **Other than Phoenix Advisory Partners, no person has been authorized by U.S. Silver to give any information or to make any representation in connection with the Combination Transaction or any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.**

Copies of the documents incorporated herein by reference (see "*U.S. Silver Documents Incorporated by Reference*") and this Circular are available free of charge under the Corporation's profile on SEDAR at www.sedar.com.

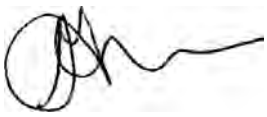
Other Material Changes in the Affairs of the Corporation

Other than in connection with the Combination Transaction as discussed elsewhere in this Circular, to the knowledge of the directors and executive officers of the Corporation there are no plans or proposals for material changes in the affairs of the Corporation, including, for example, any contract or agreement under negotiation, any proposal to liquidate the Corporation, to sell, lease or exchange all or a substantial part of its assets, to amalgamate it or to make any material changes to its business, corporate structure (debt or equity), management or personnel.

APPROVAL OF CIRCULAR

The Board approved the contents of this Circular and authorized it to be sent to each Shareholder who is eligible to receive notice of and vote his or her Shares at the Meeting, as well as to each director and to the auditors of the Corporation.

By Order of the Board



Gordon E. Pridham
Executive Chairman & Interim Chief Executive Officer

AUDITOR'S CONSENT

We have read the Notice of Meeting and Management Proxy Circular (the "Circular") of U.S. Silver Corporation (the "Corporation") dated July 9, 2012 relating to the special meeting of shareholders of the Corporation to approve the combination transaction with RX Gold & Silver Inc. and U.S. Silver & Gold Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use and incorporation by reference in the Circular of our report to the shareholders of the Corporation on the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010 and the related notes including a summary of significant accounting policies and other explanatory information. Our report is dated March 28, 2012.

We consent to the use in the Circular of our report to the board of directors of U. S. Silver & Gold Inc. on the statement of financial position of U. S. Silver & Gold Inc. as at June 6, 2012, and notes, comprising other explanatory information. Our report is dated July 5, 2012.

(signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
July 9, 2012

CONSENT OF COLLINS BARROW TORONTO LLP

We have read the management proxy circular of U.S. Silver Corporation ("U.S. Silver") dated July 9, 2012 relating to the special meeting of shareholders of U.S. Silver.

We hereby consent to being named and to the use, through incorporation by reference, in the above-mentioned management proxy circular, of our report dated October 20, 2011 to the shareholders on the following financial statements of RX Gold & Silver Inc. (formerly RX Explorations Inc.):

- Consolidated balance sheets as at June 30, 2011 and 2010; and
- Consolidated statements of operations and deficit and cash flows for the years ended June 30, 2011 and 2010.

We conducted the audits in accordance with Canadian Auditing Standards and the financial statements have been prepared using Canadian generally accepted accounting practices (GAAP).

(signed) Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
July 9, 2012

CONSENT OF CORMARK SECURITIES INC.

We hereby consent to being named in the management proxy circular (the "Circular") of U.S. Silver Corporation ("U.S. Silver") dated July 9, 2012, and to the inclusion of and reference to the opinion of our firm dated July 9, 2012, which we prepared for the board of directors of U.S. Silver in connection with its consideration of the proposed combination transaction involving U.S. Silver and RX Gold & Silver Inc., in the Circular. In providing such consent, we do not intend that any person other than the board of directors of U.S. Silver to rely upon our fairness opinion.

(signed) Cormark Securities Inc.

Toronto, Ontario
July 9, 2012

CONSENTS OF LEGAL ADVISORS

Consent of Stikeman Elliott LLP

To: The Board of Directors of U.S. Silver Corporation ("U.S. Silver")

We hereby consent to being named and to the inclusion of our opinion contained in the management proxy circular (the "Circular") of U.S. Silver dated July 9, 2012, with respect to a combination transaction involving U.S. Silver and RX Gold & Silver Inc. and to the references to such opinion in said Circular, in particular under the heading "*Certain Canadian Federal Income Tax Considerations*".

(Signed) Stikeman Elliott LLP
Toronto, Ontario
July 9, 2012

Consent of Dorsey & Whitney LLP

To: The Board of Directors of U.S. Silver Corporation ("U.S. Silver")

We hereby consent to being named and to the inclusion of our opinion contained in the management proxy circular (the "Circular") of U.S. Silver dated July 9, 2012, with respect to a combination transaction involving U.S. Silver and RX Gold & Silver Inc. and to the references to such opinion in said Circular, in particular under the heading "*Certain United States Federal Income Tax Considerations*".

(Signed) Dorsey & Whitney LLP
Toronto, Ontario
July 9, 2012

Appendix A – Glossary

"**$**" means Canadian dollars.

"**5-Percent Non-U.S. Holder**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Certain U.S. Federal Income Tax Consequences of the U.S. Silver Arrangement to Non-U.S. Holders – Classification of U.S. Silver as a United States Real Property Corporation*".

"**Acquisition Proposal**" means, in respect of a party, any *bona fide* proposal or offer made by another party with whom the original party deals at arm's length regarding any merger, amalgamation, plan or arrangement, share exchange, combination transaction, take-over bid, tender offer, sale or other disposition of all or substantially all of its assets, in a single transaction or series of transactions (or any lease, long term supply agreement or other arrangement having the same economic effect as a sale of all or substantially all of the original party's assets), any recapitalization, reorganization, liquidation, sale or issue of a material number of treasury securities or rights therein or thereto or rights or options to acquire a material number of treasury securities, any exchange offer, secondary purchase or any type of similar transaction that would, or could, in any case, constitute a *de facto* acquisition or change of control of the original party or would, or could, in any case, result in the sale or other disposition of all or substantially all of the assets of the original party (other than Combination Transaction).

"**Acquisition Test**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Application of the Anti-Inversion Rules to the Combined Company*".

"**allowable capital loss**" has the meaning given to that term in the section of this Circular entitled "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

"**Annual Information Form**" has the meaning given to that term in the section of this Circular entitled "*Documents Incorporated by Reference*".

"**Arrangements**" means, collectively, the U.S. Silver Arrangement and the RX Gold Arrangement.

"**asset test**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*".

"**beneficial owner**" means a non-registered Shareholder or, more specifically, a Shareholder that holds its/his/her Shares through an intermediary such as a bank, broker, trust corporation, securities broker, trustee or other nominee.

"**Board**" means the board of directors of U.S. Silver as the same is constituted from time to time.

"**Broadridge**" means Broadridge Financial Solutions, Inc.

"**Business Day**" means any day, other than a Saturday, a Sunday or a statutory holiday in Toronto, Ontario.

"**Canada-U.S. Tax Convention**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Scope of This Disclosure – Authorities*".

"**Canadian Securities Administrators**" means the voluntary umbrella organization of Canada's provincial and territorial securities regulators.

"**Canadian Securities Laws**" means all applicable Canadian securities laws and the rules and regulations thereunder, together with all applicable published instruments, notices and orders of the securities regulatory authorities thereof.

"**CBCA**" means the *Canada Business Corporations Act* and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CIM**" has the meaning given to that term in the section of this Circular entitled "*Cautionary Notice to Shareholders in the U.S. Regarding Mineral Reserves and Mineral Resources*".

"**Circular**" means this management proxy circular dated July 9, 2012.

"**Code**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Scope of This Disclosure – Authorities*".

"**Combination Agreement**" means the combination agreement dated June 7, 2012 among U.S. Silver, RX Gold and the Combined Company, as amended on June 28, 2012, and as the same may be further amended, supplemented or otherwise modified in accordance with the terms therein.

"**Combination Transaction**" means the proposed business combination of U.S. Silver and RX Gold to be effected through the Arrangements.

"**Combined Company**" means U.S. Silver & Gold Inc., a newly incorporated entity that has been established to participate in the Arrangements, which will be the continuing entity following closing of the Combination Transaction. The Combined Company is also referred to herein as "**U.S. Silver & Gold Inc.**"

"**Combined Company Board**" means the board of directors of the Combined Company, to be comprised of certain of the current directors of either U.S. Silver or RX Gold.

"**Combined Company Option Plan**" means a stock option plan in a form satisfactory to U.S. Silver and RX Gold, each acting reasonably, and acceptable to the TSX, pursuant to which options to acquire Combined Company Shares will be issued following the Combination Transaction.

"**Combined Company Optionholder**" means a holder of Combined Company Options.

"**Combined Company Options**" means options to purchase Combined Company Shares to be issued pursuant to the Arrangements in exchange for U.S. Silver Options and RX Gold Options and to be governed by the Combined Company Option Plan.

"**Combined Company Shareholders**" means the holders of Combined Company Shares.

"**Combined Company Shares**" means the common shares of the Combined Company.

"**Confidentiality Agreement**" has the meaning given to that term in the section of this Circular entitled "*The Combination Transaction – Background to the Combination Agreement*".

"**Cormark**" means Cormark Securities Inc., U.S. Silver's financial advisor.

"**Corporation**" or "**U.S. Silver**" means U.S. Silver Corporation.

"**Court**" means the Superior Court of Justice of the province of Ontario.

"**CRA**" means the Canada Revenue Agency.

"***de facto* acquisition or change of control**" means the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, of beneficial ownership of, or control or direction over, sufficient voting shares of U.S. Silver to permit such person or persons to exercise, or to control or direct the voting of, 20% or more of the total number of votes attached to all outstanding voting shares of U.S. Silver.

"**Demand for Payment**" means a written notice containing a Dissenting Shareholder's name and address, the number and class of Shares in respect of which that Dissenting Shareholder dissents, and a demand for payment of the fair value of such Shares.

"**Depositary**" means Equity Financial Trust Company.

"**Dissent Rights**" means the right of a Registered Shareholder, pursuant to the Interim Order and the Plan of Arrangement, to dissent in respect of the U.S. Silver Arrangement and to be paid the fair value of the Shares in respect of which the Shareholder dissents, all in accordance with the CBCA, subject to and as modified by the Interim Order and the Plan of Arrangement and as described in this Circular under the heading *"Dissent Rights"*. Registered RX Gold Shareholders have similar rights under the OBCA in respect of their RX Gold Shares.

"**Dissent Notice**" means a written objection to the Arrangement Resolution provided by a Dissenting Shareholder in accordance with the dissent procedure.

"**Dissent Shares**" means those Shares in respect of which Dissent Rights have validly been exercised by the Registered Shareholders.

"**Dissenting Shareholder**" means a Registered Shareholder who dissents in strict compliance with the Dissent Rights, and who is ultimately entitled to be paid fair value for their Shares.

"**Dorsey**" means Dorsey & Whitney LLP.

"**Effective Date**" means the date on which the Arrangements become effective.

"**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date.

"**End Date**" means September 30, 2012.

"**Exchange Ratio**" has the meaning given to that term in the section of this Circular entitled "*The Combination Transaction – Treatment of Outstanding Options*".

"**Fairness Opinion**" means the opinion in writing dated July 9, 2012 provided to the Board by Cormark to the effect that, based upon and subject to the various assumptions, limitations and qualifications contained therein, the Combination Transaction is fair, from a financial point of view, to U.S. Silver.

"**Final Order**" means the order of the Court pursuant to Section 192 of the CBCA, approving the U.S. Silver Arrangement, as such order may be amended at any time prior to the Effective Date (with the consent of U.S. Silver and RX Gold, each acting reasonably) or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal.

"**Governmental Authority**" has the meaning given to that term in the Combination Agreement.

"**Governmental Entity**" means: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency or entity, domestic or foreign; (b) any stock exchange, including the TSX; (c) any subdivision, agent, commission, board or authority of any of the foregoing; or (d) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**gross income**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*".

"**Holder**" has the meaning given to that term in the section of this Circular entitled "*Certain Canadian Federal Income Tax Considerations*".

"**income test**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*".

"**Interim Order**" means the interim order of the Court made in connection with the U.S. Silver Arrangement, as such order may be pursuant to Section 192 of the CBCA, made in connection with the U.S. Silver Arrangement, as such order may be amended, supplemented or varied by the Court with the consent of U.S. Silver and RX Gold, each acting reasonably.

"**IRS**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations*".

"**Lock-up Agreements**" has the meaning given to that term in the section of this Circular entitled "*The Combination Transaction – Lock-up Agreements*".

"**Material Adverse Effect**" means, in respect of U.S. Silver or RX Gold (each a "Party"), any change, effect, event or occurrence that, individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, operations, financial condition, assets or liabilities (contingent or otherwise) of such Party and its Subsidiaries, taken as a whole, other than any change, effect, event or occurrence resulting from or relating to: (a) any change in general political, economic or financial conditions, including in Canada or the United States; (b) any change in the state of securities or commodities markets in general, including any reduction in market indices; (c) any change affecting the mining industry in general; (d) any change in the prices of precious metals, including the price of gold or silver; (e) any change in GAAP or applicable Law (or any interpretation thereof); (f) any natural disaster; (g) terrorism, war, armed hostilities or civil disorder or any governmental response thereto; (h) the execution or announcement of the Combination Agreement and the transactions contemplated herein or consummation of the Arrangements; (i) any actions taken (or omitted to be taken) pursuant to the Combination Agreement or at the request of the other Party; (j) any decrease in the market price or any decline in the trading volume of such Party's securities (it being understood that the causes underlying such change in market price or trading volume (other than those in (a) to (i) above or (k) below) may be taken into account in determining whether a Material Adverse Effect has occurred); (k) the failure of such person to meet or achieve the results set forth in any internal or public projection, forecast, or revenue or earnings prediction (it being understood that the causes underlying such failure (other than those in (a) to (j) above) may be taken into account in determining whether a Material Adverse Effect has occurred); provided that any change, effect, event or occurrence referred to in (c) or (f) above does not have a materially disproportionate effect on such person and its Subsidiaries, taken as a whole, as compared to other companies of similar size operating in the mining and exploration industry in Canada or the United States.

"**Meeting**" means the special meeting of Shareholders of the Corporation to be held on August 7, 2012 at at the office of Stikeman, 51st floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B9 at 10:00 a.m. (Toronto time).

"**NCIB**" means normal course issuer bid.

"**NI 43-101**" means the National Instrument 43-101 – Standards of Disclosure for Mineral Project.

"Non-Registered Shareholder" has the meaning given to that term in the section of this Circular entitled "*General Proxy Information – Non-Registered Shareholders*".

"non-U.S. Holder" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Scope of This Disclosure – Non-U.S. Holders*".

"**Notice of Meeting**" means the notice of special meeting of Shareholders of the Corporation in this Circular.

"**OBCA**" means the *Business Corporations Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Offer to Pay**" means a written offer to a Dissenting Shareholder to pay the fair value for the number and class of Shares in respect of which that Dissenting Shareholder dissents.

"**Optionholder**" means a holder of Options.

"**Options**" means the outstanding options to purchase Shares.

"**passive income**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*".

"**person**" includes a natural person, a corporation, company or other body corporate, a partnership or limited partnership, a trust, a trustee, executor, administrator or other legal personal representative, a syndicate, a joint venture, an unincorporated association, a Governmental Authority or any other legal or business entity however designated or constituted.

"**PFIC**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*".

"**Phoenix Advisory Partners**" means the proxy solicitation agent retained by U.S. Silver.

"**Plan of Arrangement**" means the plan of arrangement of U.S. Silver, substantially in the form of Appendix F to this Circular, and any amendments or variations thereto made in accordance with the Plan of Arrangement or upon the direction of the Court in the Final Order with the consent of U.S. Silver and RX Gold, each acting reasonably.

"**QEF Election**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*".

"**QFC**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Taxation of Distributions*".

"**Record Date**" means the close of business (Toronto time) on July 6, 2012.

"**Registered Plan**" has the meaning given to that term in the section of this Circular entitled "*Eligibility for Investment*".

"**Registered Shareholders**" means a registered holder of Shares.

"**Regulation S**" means Regulation S adopted under the U.S. Securities Act and all rules and regulations promulgated thereunder.

"**Required Approvals**" means, collectively, U.S. Silver Shareholder Approval, RX Gold Shareholder Approval, approval of both Arrangements by the Court and Stock Exchange Approval.

"**Resident Shareholder**" has the meaning given to that term in the section of this Circular entitled "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*".

"**RRIF**" has the meaning given to that term in the section of this Circular entitled "*Eligibility for Investment*".

"**RRSP**" has the meaning given to that term in the section of this Circular entitled "*Eligibility for Investment*".

"**RX Gold**" means RX Gold & Silver Inc.

"**RX Gold Arrangement**" means the arrangement of RX Gold under the provisions of Section 182 of the OBCA on the terms and subject to the conditions set forth in the RX Gold Plan of Arrangement, subject to any amendments or supplement thereto made in accordance with the Combination Agreement or the RX Gold Plan of Arrangement or made at the direction of the Court in the RX Gold Final Order.

"**RX Gold Arrangement Resolution**" means the special resolution of the RX Gold Shareholders approving the RX Gold Arrangement that is to be considered at the RX Gold Meeting.

"**RX Gold Final Order**" means the order of the Court pursuant to Section 182 of the OBCA, approving the RX Gold Arrangement, as such order may be amended by the Court with the consent of RX Gold and U.S. Silver, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both RX Gold and U.S. Silver, each acting reasonably) on appeal.

"**RX Gold Meeting**" means the special meeting of RX Gold Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the RX Gold Arrangement Resolution.

"**RX Gold Options**" means the outstanding options to purchase RX Gold Shares granted under or otherwise subject to the RX Gold option plan.

"**RX Gold Plan of Arrangement**" means the plan of arrangement of RX Gold, substantially in the form of Appendix A to the Combination Agreement, and any amendments or variations thereto made in accordance with the RX Gold Plan of Arrangement or upon the direction of the Court in the RX Gold Final Order with the consent of U.S. Silver and RX Gold, each acting reasonably.

"**RX Gold Shareholder Approval**" means approval by the RX Gold Shareholders at the RX Gold Meeting of the RX Gold Arrangement Resolution.

"**RX Gold Shareholders**" means the holders of RX Gold Shares.

"**RX Gold Shares**" means the common shares in the capital of RX Gold.

"**RX Gold Warrants**" means the outstanding common share purchase warrants of RX Gold entitling the holders thereof to purchase RX Gold Shares at an exercise price of $0.60 per RX Gold Share and expiring on July 20, 2013.

"**SEC**" means the United States Securities and Exchange Commission.

"**Shareholder**" means a holder of Shares.

"**Shares**" means the common shares of U.S. Silver.

"**Sprott**" means Sprott Asset Management LP.

"**Stikeman**" means Stikeman Elliott LLP.

"**Stock Exchange Approval**" has the meaning given to that term in the section of this Circular entitled "*Required Approvals – Stock Exchange Approval*".

"**Subsidiary**" means, in respect of a party, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such party, and shall also include any partnership, joint venture or other entity which is in a like relation to a Subsidiary.

"**Subsidiary PFIC**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Passive Foreign Investment Company Rules Related to the Ownership and Disposition of the Combined Company Shares*"**.**

"**Superior Proposal**" means, in respect of a party, any unsolicited *bona fide* written Acquisition Proposal to acquire all or substantially all of the assets of a party or not less than all of its shares, that complies with applicable securities laws and did not result from or involve a breach specified in the Combination Agreement, and that, in the good faith determination of the board of directors of such party after consultation with its outside legal and financial advisors, (a) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the person making such proposal, (b) would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction more favourable to its Shareholders from a financial point of view than the transactions contemplated herein, and (c) in respect of which the financing is then committed or has been demonstrated to the board of directors of such party to be available without undue delays or conditions, and (d) is not subject to a due diligence condition.

"**Superior Proposal Notice Period**" has the meaning given to that term in the section of this Circular entitled "*The Combination Agreement – The Combination Agreement – Non-Solicitation and Superior Proposals*".

"**Supporting Shareholders**" has the meaning given to that term in the section of this Circular entitled "*The Combination Transaction – Lock-up Agreements*".

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**taxable capital gain**" has the meaning given to that term in the section of this Circular entitled "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

"**TFSAs**" has the meaning given to that term in the section of this Circular entitled "*Eligibility for Investment*".

"**Transfer Agent**" means the transfer agent and registrar of the Corporation, Valiant Trust Company.

"**Treasury Regulations**" or "**U.S. Treasury Regulations**" means the final, temporary and proposed treasury regulations promulgated under the Code.

"**TSX**" means the Toronto Stock Exchange.

"**TSX-V**" means the TSX Venture Exchange.

"**U.S.**" or "**United States**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**U.S. Holder**" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Scope of This Disclosure – U.S. Holders*".

"**U.S. Person**" has the meaning ascribed to it in Rule 902 of Regulation S of the U.S. Securities Act.

"**U.S. Securities Act**" means the United States Securities Act of 1933 as amended and the rules and regulations promulgated thereunder.

"**U.S. Securities Laws**" means all applicable United States securities laws, including but not limited to the U.S. Securities Act and the U.S. Exchange Act, together with all applicable federal and state securities laws and the rules and regulations promulgated under each.

"**U.S. Shareholders**" means holders of Shares or Combined Company Shares, as applicable, in the United States.

"**U.S. Silver & Gold Inc.**" means U.S. Silver & Gold Inc., a newly incorporated entity that has been established to participate in the Arrangements, which will be the continuing entity following closing of the Combination Transaction. U.S. Silver & Gold Inc. is also referred to herein as the "**Combined Company**".

"**U.S. Silver Arrangement**" means the arrangement of U.S. Silver under the provisions of Section 192 of the CBCA on the terms and subject to the conditions set forth in the Plan of Arrangement, subject to any amendments or supplement thereto made in accordance with the Combination Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order.

"**U.S. Silver Arrangement Resolution**" means the special resolution of Shareholders approving the Plan of Arrangement that is to be considered at the Meeting.

"**U.S. Silver Shareholder Approval**" means approval by the U.S. Silver Shareholders of the Arrangement Resolution at the Meeting.

"USRPI" has the meaning given to that term in the section of this Circular entitled "*Certain United States Federal Income Tax Considerations – Ownership and Disposition of the Combined Company Shares – Certain U.S. Federal Income Tax Consequences of the U.S. Silver Arrangement to Non-U.S. Holders – Classification of U.S. Silver as a United States Real Property Corporation*".

"**Warrants**" means the outstanding common share purchase warrants of U.S. Silver entitling the holders thereof to purchase Shares.

Appendix B – Comparison of Shareholder Rights between the CBCA and OBCA

The OBCA provides shareholders substantially the same rights available under the CBCA, including rights of dissent and to bring derivative and oppression actions. There are differences between the two statutes and the regulations. The following is a summary of material differences.

This summary is not an exhaustive review of the two statutes. Reference should be made to the full text of both statutes and the regulations made or laws developed thereunder for particulars of any differences between them, and Shareholders should consult their legal or other professional advisors with regard to the implications of the Combination Transaction which may be of importance to them.

Independent Directors. Under the CBCA, the requirement is that at least 2 of the directors of the Corporation not be officers or employees of the Corporation or its affiliates. Under the OBCA, at least 1/3 of the members of the board of directors cannot be officers or employees of the Corporation or its affiliates.

Quorum – Directors' Meetings. Both CBCA and OBCA state that quorum of directors meetings consists of a majority of directors or the minimum number of directors required by the articles. The OBCA also states that a quorum may not be less than 2/5 of the number of directors or the minimum number of directors.

Place of Shareholders' Meetings. Under the CBCA, a shareholders' meeting may be held any place in Canada provided in the by-laws or, in the absence of such provision, at a place in Canada that the directors determine. Notwithstanding the foregoing, a meeting of shareholders of a CBCA Corporation may be held at a place outside Canada if such place is specified in the articles or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place. Under the OBCA, a shareholders' meeting may be held in or outside Ontario (including outside Canada) as the directors determine or, in the absence of such a determination, at the place where the registered office of the corporation is located.

Notice of Shareholders' Meetings. Under the CBCA, the notice of shareholders' meetings must be provided not less than 21 days and not more than 60 days before the meeting. Under the OBCA, a public Corporation must give notice not less than 21 days and not more than 50 days before the meeting. Public companies are also subject to the requirements of National Instrument 54-101 of the Canadian Securities Administrators which provides for minimum notice periods of greater than the minimum 21 day period in either statute.

Telephonic or Electronic Meetings. Under the CBCA, unless the articles or by-laws state otherwise, meetings of shareholders may be held by telephonic or electronic means and shareholders may participate in and vote at the meeting by such means. The CBCA also requires the Corporation to provide shareholders with a means of communication that permits all participants to communicate adequately with each other during the meeting. In addition, if the Corporation's by-laws so provide, a meeting of shareholders may be held entirely by telephonic or electronic means. Under the OBCA, unless the articles or by-laws state otherwise, meetings of shareholders may be held by telephonic or electronic means and shareholders may participate in and vote at the meeting by such means.

Shareholder Proposals. Under the CBCA, shareholder proposals may be submitted by both registered and beneficial owners of shares entitled to be voted at an annual meeting of shareholders, provided that (a) the shareholder was a registered or beneficial owner, for at least 6 months prior to sending the proposal, of voting shares at least equal to 1% of the total outstanding voting shares or whose fair market value is at least $2,000, or (b) the proposal must have the support of persons who in the aggregate have been the registered or beneficial owner of such number of voting shares for such period. Under the OBCA, a shareholder entitled to vote at a meeting of shareholders may submit to the corporation a notice of a proposal and discuss at the meeting any matter in respect of which the shareholder would have been titled to submit a proposal.

Registered Office. Under the CBCA, the registered office must be in the province specified in the articles and may be relocated within a province by directors' approval. Under the OBCA, the registered office must be in Ontario and may be relocated to a different municipality with shareholder approval.

Corporate Records. The CBCA permits corporate and accounting records to be kept outside of Canada, with requirements to keep them within Canada under the Tax Act and other statutes administered by the Minister of National Revenue (such as the *Excise Tax Act*). Companies are also required to provide access to records kept outside Canada at a location in Canada, by computer terminal or other technology. The OBCA and related Ontario statutes require records to be kept in Ontario.

Short Selling. Under the CBCA, insiders of the Corporation are prohibited from short selling any securities of the Corporation unless the insider selling the securities owns or has fully paid for the securities being sold. The OBCA contains no such prohibition.

Notice of a Derivative Action. Under the CBCA, a condition precedent to a complainant bringing a derivative action is that the complainant has given at least 14 days' notice to the directors of the Corporation of the complainant's intention to make an application to the court to bring such a derivative action. Under the OBCA, a complainant is not required to give notice to the directors of the Corporation of the complainant's intention to make an application to the court to bring a derivative action if all of the directors of the Corporation are defendants in the action.

Oppression Remedy. The CBCA allows a court to grant relief where a prejudicial effect to a shareholder actually exists (that is, it must be more than merely threatened). The OBCA allows a court to grant relief where a prejudicial effect to a shareholder is merely threatened.

Appendix C – U.S. Silver Arrangement Resolution

BE IT RESOLVED THAT:

1. The arrangement (the "U.S. Silver Arrangement") under Section 192 of the *Canada Business Corporations Act* (the "CBCA") of U.S. Silver Corporation (the "Corporation"), as more particularly described and set forth in the management proxy circular (the "Circular") dated July 9, 2012, of the Corporation accompanying the notice of this meeting, and as it may be amended, modified or supplemented in accordance with the combination agreement dated June 7, 2012, among the Corporation, RX Gold & Silver Inc. and U.S. Silver & Gold Inc. (as amended June 28, 2012 and as it may from time to time be further amended, modified or supplemented, the "Combination Agreement"), is hereby authorized, approved and adopted.

2. The plan of arrangement of the Corporation (the "Plan of Arrangement"), as it may be amended, modified or supplemented in accordance with its terms and the Combination Agreement, the full text of which is set out in Appendix F to this Circular, is hereby authorized, approved and adopted.

3. The (i) Combination Agreement and related transactions, (ii) actions of the directors of the Corporation in approving the Combination Agreement, and (iii) actions of the directors and officers of the Corporation in executing and delivering the Combination Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved.

4. The Corporation is hereby authorized to apply for a final order from the Superior Court of Justice of the province of Ontario (the "Court") to approve the U.S. Silver Arrangement on the terms set forth in the Combination Agreement and the Plan of Arrangement.

5. Notwithstanding that this resolution has been passed (and the U.S. Silver Arrangement adopted) by the shareholders of the Corporation or that the U.S. Silver Arrangement has been approved by the Court, the directors of the Corporation are hereby authorized and empowered to, without notice to or approval of the shareholders of the Corporation, (i) amend, modify or supplement the Combination Agreement or the Plan of Arrangement to the extent permitted thereby and (ii) subject to the terms of the Combination Agreement, not to proceed with the U.S. Silver Arrangement and transactions contemplated by the Combination Agreement.

6. Any officer or director of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute and deliver for filing with the Director under the CBCA articles of arrangement and such other documents as may be necessary or desirable to give effect to the U.S. Silver Arrangement in accordance with the Combination Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents.

7. Any officer or director of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

Appendix D – Fairness Opinion

July 9, 2012

The Board of Directors of U.S. Silver Corporation
401 Bay Street, Suite 2702
Toronto, Ontario M5H 2Y4

Dear Sirs,

Cormark Securities Inc. ("Cormark") understands that U.S. Silver Corporation ("U.S. Silver" or the "Company") has entered into a combination agreement (the "Combination Agreement") with RX Gold & Silver Inc. ("RX Gold") and U.S. Silver & Gold Inc., a newly formed entity that has been incorporated to be the holding corporation of the combined business (the "Combined Company"). Under the terms and conditions of the Combination Agreement, U.S. Silver and RX Gold propose to combine their businesses through (a) the exchange of each outstanding common share of U.S. Silver for 0.67 of a common share of the Combined Company pursuant to a plan of arrangement under the *Canada Business Corporations Act*, and (b) the exchange of each outstanding common share of RX Gold for 0.109 of a common share of the Combined Company pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario) (such combination, the "Transaction"). Immediately following the completion of the respective arrangements, the former shareholders of U.S. Silver will hold approximately 70% of the outstanding common shares of the Combined Company and the former shareholders of RX Gold will hold approximately 30% of the outstanding common shares of the Combined Company. The specific terms and conditions of, and other matters relating to, the Transaction are outlined in the management proxy circular of U.S. Silver dated July 9, 2012 (the "Circular").

Cormark has been retained by the board of directors (the "Board") of the Company to prepare and deliver an opinion as to the fairness of the Transaction, from a financial point of view, to the U.S. Silver shareholders (the "Fairness Opinion").

CORMARK'S ENGAGEMENT

While Cormark has been actively working with the Company on various strategic transaction opportunities for the past two years, it has been working with the Company on this specific Transaction since April 2012. Cormark was formally retained by the Company pursuant to an engagement agreement dated June 7, 2012 (the "Engagement Letter"). Cormark was engaged to act as financial advisor with respect to the Transaction as well as to provide a Fairness Opinion in connection with the Transaction. The terms of the Engagement Letter provide that Cormark is to be paid a fee on delivery of the Fairness Opinion (the "Fairness Opinion Fee") which is not contingent in whole or in part on the success of the Transaction or on the conclusions reached in the Fairness Opinion. In addition, Cormark is to be paid a transaction fee (the "Transaction Fee") in the event the Transaction is consummated. Cormark is also to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company, in certain circumstances, against certain expenses, losses, claims, actions, damages and liabilities incurred in connection with the provision of its services under the Engagement Letter.

CREDENTIALS OF CORMARK

Cormark is a Canadian investment dealer providing investment research, equity sales and trading and investment banking services to a broad range of institutions and corporations. Cormark has participated in a significant number of transactions involving public and private companies, maintains a particular expertise advising companies in the global mining sector and has extensive experience in preparing fairness opinions.

The Fairness Opinion represents the opinion of Cormark and its form and content have been approved for release by a committee of senior investment banking professionals of Cormark, each of whom is experienced in merger, acquisition, divestiture, valuation, fairness opinion and other capital markets matters.

CORMARK SECURITIES INC.

INDEPENDENCE OF CORMARK

Neither Cormark, nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario)) of U.S. Silver, RX Gold, the Combined Company, or any of their respective associates or affiliates (collectively, the "Interested Parties").

Cormark has participated in the following underwritings and advisory mandates involving U.S. Silver during the 24-month period preceding the date Cormark first began working with the Company in respect of the Transaction: acting as lead underwriter for U.S. Silver's public issue of units that closed in September 2010; acting as a financial advisor to U.S. Silver in connection with a potential business combination for a period from August 2010 to November 2010 (no such combination was consummated); and acting as principal broker for U.S. Silver's normal course issuer bid announced in February 2012.

Cormark does not have a material financial interest in the completion of the Transaction, except for the Transaction Fee. The Fairness Opinion Fee payable to Cormark in connection with the Engagement Letter does not give Cormark any material financial incentive in respect of the conclusions reached in the Fairness Opinion or the success of the Transaction.

Cormark acts as a trader and dealer, both as principal and agent, in all major financial markets in Canada and, as such, may have had, may have, and may in the future have, positions in the securities of U.S. Silver or other Interested Parties and, from time to time, may have executed or may execute transactions on behalf of such entities or other clients for which it may have received or may receive compensation. As an investment dealer, Cormark conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Transaction, U.S. Silver, or other Interested Parties.

There are no understandings, agreements or commitments between Cormark and U.S. Silver, RX Gold, the Combined Company or any other Interested Party with respect to any future financial advisory or investment banking business, except for a right of first refusal to act as financial advisor on any further business combinations by the Company within a six month period following completion of the Transaction. Cormark may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for U.S. Silver, RX Gold, the Combined Company or any other Interested Party.

SCOPE OF REVIEW

In connection with the Fairness Opinion, Cormark has reviewed and relied upon (without verifying or attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the following:

(a) the Combination Agreement dated June 7, 2012;

(b) audited annual financial statements and management's discussion and analysis of U.S. Silver for each of the years ended December 31, 2009, December 31, 2010 and December 31, 2011;

(c) annual information form of U.S. Silver for the year ended December 31, 2011;

(d) quarterly financial statements and management's discussion and analysis of U.S. Silver for the quarters ended March 31, 2011, June 30, 2011 and September 31, 2011;

(e) technical report titled: Technical Report Galena Project Shoshone County, Idaho Prepared for U.S. Silver Corporation (Dated: March 19, 2012);

(f) audited annual financial statements and management's discussion and analysis of RX Gold for each of the years ended June 30, 2009, June 30, 2010 and June 30, 2011;

(g) quarterly financial statements and management's discussion and analysis of RX Gold for the quarters ended March 31, 2011, September 30, 2011 and December 31, 2011;

(h) technical report titled: Technical Report and Resource Estimate on the Au-Ag Drumlummon Mine Project, Montana, U.S. Silver (Dated: April 9, 2012);

(i) confidential information made available by U.S. Silver and RX Gold concerning their businesses, operations, assets, liabilities and prospects of the companies;

(j) meetings and discussions with management of U.S. Silver and RX Gold;

(k) due diligence meetings with senior executives of U.S. Silver and RX Gold concerning the past and current operations and financial condition and the prospects of the companies;

(l) public information (including corporate presentations and that information prepared by industry research analysts) related to the businesses, operations, financial performance and trading histories of U.S. Silver, RX Gold and other selected mining companies, as we considered relevant;

(m) public information with respect to precedent transactions of a comparable nature which we considered relevant; and

(n) such other information, made such other investigations, prepared such other analyses and had such other discussions as we considered appropriate in the circumstances.

Cormark has had full access to and cooperation from the senior officers of U.S. Silver and has not, to the best of its knowledge, been denied access by the Company to any information requested by Cormark.

Please note that all currency amounts in the Fairness Opinion are presented in Canadian dollars unless otherwise indicated.

PRIOR VALUATIONS

The Company has represented to Cormark that there have been no independent appraisals or valuations (as defined in MI 61-101) or material non-independent appraisals or valuations relating to the Company or any of its subsidiaries on any of their respective material assets or liabilities which have been prepared as of a date within the preceding 24 months other than those which have been provided to Cormark.

ASSUMPTIONS AND LIMITATIONS

Cormark has not been asked to prepare and has not prepared a formal valuation of the Company, RX Gold or the Combined Company or any of their respective securities or assets, and the Fairness Opinion should not be construed as such. Cormark has, however, conducted such analyses as it considered necessary in the circumstances. In addition, the Fairness Opinion is not, and should not be construed as, advice as to the price at which the U.S. Silver or the Combined Company shares may trade at any future date. Cormark was similarly not engaged to review any legal, tax or accounting aspects of the Transaction. Cormark has relied upon, without independent verification or investigation, the assessment by the Company and its legal, tax, regulatory and accounting advisors with respect to legal, tax, regulatory and accounting matters. In addition, the Fairness Opinion does not address the relative merits of the Transaction as compared to any other transaction involving the Company, the prospects or likelihood of any alternative transaction or any other possible transaction involving the Company, its assets or its securities.

With the approval of the Board and as is provided for in the Engagement Letter, Cormark has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources or provided to it by or on behalf of the Company and its directors, officers, agents and advisors or otherwise (collectively, the "Information") and Cormark has assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that Information not misleading. The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information including as to the absence of any undisclosed material change. Subject to the exercise of professional judgment and except as expressly described herein, Cormark has not attempted to independently verify or investigate the completeness, accuracy or fair presentation of any of the Information.

With respect to financial and operating forecasts, projections, estimates and/or budgets provided to Cormark and used in the analyses supporting the Fairness Opinion, Cormark has noted that projecting future results of any company is inherently subject to uncertainty. Cormark has assumed that such forecasts, projections, estimates and/or budgets

were reasonably prepared consistent with industry practice on a basis reflecting the best currently available assumptions, estimates and judgments of management of the Company as to the future financial performance of the Company and are (or were at the time and continue to be) reasonable in the circumstances. In rendering the Fairness Opinion, Cormark expresses no view as to the reasonableness of such forecasts, projections, estimates and/or budgets or the assumptions on which they are based.

Senior officers of the Company have represented to Cormark in a certificate delivered as of the date hereof, among other things, that: (a) the Information provided by, or on behalf, of the Company or any of its affiliates or its representatives and agents to Cormark for the purpose of preparing the Fairness Opinion was, at the date such information was provided to Cormark, and is now, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company and its affiliates or the Transaction and did not and does not omit to state a material fact in relation to the Company and its affiliates or the Transaction necessary to make the Information not misleading in light of the circumstances under which it was provided; (b) since the dates on which the Information was provided to Cormark, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company and its affiliates and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion; (c) to the best of the Company's knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its affiliates or any of their respective material assets or liabilities which have been prepared as of a date within the two years preceding the date hereof and which have not been provided to Cormark; and (d) since the dates on which the Information was provided to Cormark by the Company, no material transaction has been entered into by the Company or any of its affiliates which has not been disclosed in complete detail to Cormark.

This Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company and its affiliates, as they were reflected in the Information and as they have been represented to Cormark in discussions with management of the Company. In its analyses and in preparing the Fairness Opinion, Cormark has made certain assumptions with respect to expected industry performance, general business and economic conditions and other matters, most of which are beyond the control of Cormark or any party involved in the Transaction. Cormark believes these assumptions are reasonable under the current circumstances; however, actual future results may demonstrate that certain assumptions were incorrect.

In preparing the Fairness Opinion, Cormark has also assumed that the disclosure provided or incorporated by reference in the Circular and any other documents prepared in connection with the Transaction will be accurate in all material respects and will comply with the requirements of all applicable laws, that all of the conditions required to implement the Transaction will be met, that the procedures being followed to implement the Transaction are valid and effective, and that the Circular will be distributed to U.S. Silver shareholders in accordance with applicable laws.

The Fairness Opinion has been prepared for the exclusive use of the Board in connection with the Transaction. The Fairness Opinion may not be used by any person or relied upon by any person other than the Board and may not be used or relied upon by the Board for any purpose other than the purpose hereinbefore stated, without the express prior written consent of Cormark. Except as contemplated herein, the Fairness Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent. Cormark hereby consents to the reference to Cormark and the description of, reference to and reproduction of the Fairness Opinion in the Circular prepared in connection with the Transaction for delivery to U.S. Silver shareholders and filing with the securities commissions or similar regulatory authorities in each province and territory of Canada.

Cormark believes that the Fairness Opinion must be considered and reviewed as a whole and that selecting portions of the stated analyses or factors considered by Cormark, without considering all the stated analyses and factors together, could create a misleading view of the process underlying or the scope of the Fairness Opinion. The preparation of a fairness opinion of this nature is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any U.S. Silver shareholder as to whether or not to tender their U.S. Silver shares to the Transaction.

The Fairness Opinion is given as of the date hereof and Cormark disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to Cormark's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, Cormark reserves the right to change, modify or withdraw the Fairness Opinion.

The Fairness Opinion has been prepared in accordance with the Disclosure Standards for Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("IIROC"), but IIROC has not been involved in the preparation or review of the Fairness Opinion.

FAIRNESS OPINION

Based upon and subject to the foregoing, Cormark is of the opinion that, as at of the date hereof, the Transaction is fair, from a financial point of view, to U.S. Silver shareholders.

Yours very truly,

CORMARK SECURITIES INC.

Court File No. CV-12-9781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

U.S. SILVER CORPORATION

Applicant

NOTICE OF MOTION
(Motion for Advice and Directions returnable July 9, 2012)

THE APPLICANT, U.S. SILVER CORPORATION ("**U.S. Silver**"), will make a motion without notice to a Judge presiding over the Commercial List on **July 9, 2012 at 10:00 a.m.** or such other date or time as directed by the Court at 330 University Avenue, Toronto.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

(a) the advice and direction of this Honourable Court in connection with an arrangement under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**");

(b) an Order in substantially the same form as the draft Interim Order attached as Schedule A to this Notice of Motion; and

(c) such further and other relief as to this Honourable Court seems just.

THE GROUNDS FOR THE MOTION ARE:

(a) U.S. Silver is a corporation governed by the provisions of the CBCA with its registered office in Toronto, Ontario.

(b) U.S. Silver's common shares trade on the Toronto Stock Exchange ("**TSX**").

(c) RX Gold & Silver Inc. ("**RX Gold**") is a corporation governed by the provisions of the *Business Corporations Act* (Ontario) with its registered head office in Toronto, Ontario.

(d) U.S. Silver & Gold Inc. (the "**Combined Company**"), which is currently a wholly owned subsidiary of RX Gold, is a new entity which has been incorporated to be the holding corporation of the combined business of U.S. Silver and RX Gold.

(e) U.S. Silver seeks the advice and direction of this Honourable Court in respect of the calling, holding and conducting of a special meeting of the holders of its shares to consider and vote on an arrangement (the "**Arrangement**") under section 192 of the CBCA (the "**Meeting**").

(f) The Arrangement is described in detail in the draft management proxy circular of U.S. Silver which is attached as Exhibit "A" to the Affidavit of Christopher Hopkins.

(g) The purpose of the Arrangement is to, amongst other things, effect the exchange of common shares (the "**Shares**") of U.S. Silver for common shares of the Combined Company ("**Combined Company Shares**") in connection with a combination transaction with RX Gold in accordance with the terms and conditions of a combination agreement dated June 7, 2012 entered into among U.S. Silver, RX Gold and the Combined Company.

(h) Concurrently with this Arrangement, RX Gold is anticipated to be complete a separate arrangement whereby the common shares of RX Gold are exchanged for Combined Company Shares.

(i) The provisions of subsection 192(4) of the CBCA provide that the Court may make such interim order as it considers appropriate with respect to an Application for approval of an Arrangement under the CBCA.

(j) The proposed directions contained in the draft Interim Order are within the scope of subsection 192(4) of the CBCA and will enable U.S. Silver to carry out the Meeting and will enable this Honourable Court to consider the fairness and reasonableness of the Arrangement on the return of this Application.

(k) Rules 1.05, 14.05 17.02, 37.02(2)(a), 38.06 and 38.09 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.

(l) Section 3(a)(10) of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), exempts from the registration requirements of the U.S. Securities Act those securities which are issued in exchange for *bona fide* outstanding securities where the terms and conditions of such issuance and exchange are approved after a hearing by a court upon the fairness of such terms and conditions, at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear. Based on the Court's approval of the Arrangement, the Combined Company intends to rely upon this exemption under section 3(a)(10) of the U.S. Securities Act to issue the Combined Company Shares to shareholders of U.S. Silver.

(m) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

(a) the Affidavit of Christopher Hopkins, sworn July 5, 2012, and the exhibits thereto; and

(b) such further and other material as counsel may advise and this Honourable Court may permit.

July 5, 2012

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Solicitors for the Applicant

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James Doris
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Solicitors for RX Gold & Silver Inc.

SCHEDULE "A"

Court File No. CV-12-9781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	MONDAY, THE 9TH
	)	
	)	DAY OF JULY, 2012

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

INTERIM ORDER

THIS MOTION made by the Applicant, U.S. Silver Corporation ("**U.S. Silver**"), for an interim order for advice and directions pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, (the "**CBCA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Notice of Application issued on July 5, 2012 and the Affidavit of Christopher Hopkins sworn July 5, 2012, (the "**Hopkins Affidavit**"), including the Plan of Arrangement, which is attached as Appendix F to the draft management proxy circular of U.S. Silver (the "**Circular**"), which is attached as Exhibit "A" to the Hopkins Affidavit, and on hearing the

submissions of counsel for U.S. Silver and counsel for RX Gold & Silver Inc. ("**RX Gold**") and on being advised that the Director appointed under the CBCA (the "**Director**") does not consider it necessary to appear.

Definitions

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meaning ascribed thereto in the Circular or otherwise as specifically defined herein.

The Meeting

2. **THIS COURT ORDERS** that U.S. Silver is permitted to call, hold and conduct a special meeting (the "**Meeting**") of the holders of voting common shares (the "**Shareholders**") in the capital of U.S. Silver (the "**Shares**") to be held on August 7, 2012 at 10:00 a.m. (Toronto time) at the offices of Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, M5L 1B9 Toronto, Ontario in order for the Shareholders to consider and, if determined advisable, pass a special resolution authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (collectively, the "**Arrangement Resolution**").

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the CBCA, the notice of meeting of Shareholders, which accompanies the Circular (the "**Notice of Meeting**") and the articles and by-laws of

U.S. Silver, subject to what may be provided hereafter and subject to further order of this court.

4. **THIS COURT ORDERS** that the record date (the "**Record Date**") for determination of the shareholders entitled to notice of, and to vote at, the Meeting shall be July 6, 2012.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

(a) the Shareholders or their respective proxyholders;

(b) the officers, directors, auditors and advisors of U.S. Silver;

(c) representatives and advisors of RX Gold and the Combined Company;

(d) the Director; and

(e) other persons who may receive the permission of the Chair of the Meeting.

6. **THIS COURT ORDERS** that U.S. Silver may transact such other business at the Meeting as is contemplated in the Circular, or as may properly come before the Meeting or any adjournment or postponement thereof.

Quorum

7. **THIS COURT ORDERS** that the Chair of the Meeting shall be determined by U.S. Silver and that the quorum at the Meeting shall be two individuals present in

person, or represented by proxy, entitled to vote at the Meeting in accordance with the by-laws of U.S. Silver.

Amendments to the Arrangement and Plan of Arrangement

8. **THIS COURT ORDERS** that U.S. Silver is authorized to make, subject to the terms of the Combination Agreement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive notice under paragraphs 12 and 13 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid

ordinary mail, or by the method most reasonably practicable in the circumstances, as U.S. Silver may determine.

Amendments to the Circular

10. **THIS COURT ORDERS** that U.S. Silver is authorized to make such amendments, revisions and/or supplements to the draft Circular as it may determine and the Circular, as so amended, revised and/or supplemental, shall be the Circular to be distributed in accordance with paragraphs 12 and 13.

Adjournments and Postponements

11. **THIS COURT ORDERS** that U.S. Silver, if it deems advisable and subject to the terms of the Combination Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as U.S. Silver may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

Notice of Meeting

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, U.S. Silver shall send the Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, the form of proxy and the letter of transmittal, along with such amendments or additional documents as U.S. Silver may determine are

necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "**Meeting Materials**"), to the following:

(a) the registered Shareholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:

(i) by pre-paid ordinary or first class mail at the addresses of the Shareholders as they appear on the books and records of U.S. Silver, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of U.S. Silver;

(ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or

(iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of U.S. Silver, who requests such transmission in writing and, if required by U.S. Silver, who is prepared to pay the charges for such transmission;

(b) the non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and

(c) the respective directors and auditors of U.S. Silver, and to the Director appointed under the CBCA, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

THIS COURT ORDERS that, in the event that U.S. Silver elects to distribute the Meeting Materials, U.S. Silver is hereby directed to distribute the Circular (including the Notice of Application, and this Interim Order), and any other communications or documents determined by U.S. Silver to be necessary or desirable (collectively, the "**Court Materials**") to the holders of options for U.S. Silver Shares, by any method permitted for notice to Shareholders as set forth in paragraphs 12(a) or 12(b), above, concurrently with the distribution described in paragraph 12 of this Interim Order. Distribution to such persons shall be to their addresses as they appear on the books and records of U.S. Silver or its registrar and transfer agent at the close of business on the Record Date.

THIS COURT ORDERS that accidental failure or omission by U.S. Silver to give notice of the Meeting or to distribute the Meeting Materials or Court Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of U.S. Silver, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of U.S. Silver, it shall use its best

efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

THIS COURT ORDERS that U.S. Silver is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials and Court Materials, as U.S. Silver may determine in accordance with the terms of the Combination Agreement ("**Additional Information**"), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as U.S. Silver may determine.

13. **THIS COURT ORDERS** that distribution of the Meeting Materials and Court Materials pursuant to paragraphs 12 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraphs 12 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or the Court Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9, above.

Solicitation and Revocation of Proxies

14. **THIS COURT ORDERS** that U.S. Silver is authorized to use the letter of transmittal and proxies substantially in the form of the drafts accompanying the Circular, with such amendments and additional information as U.S. Silver may determine are necessary or desirable, subject to the terms of the Combination Agreement. U.S. Silver is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. U.S. Silver may waive generally, in its discretion, the time limits set out in the Circular for the deposit or revocation of proxies by Shareholders, if U.S. Silver deems it advisable to do so.

15. **THIS COURT ORDERS** that Shareholders shall be entitled to revoke their proxies in accordance with section 148(4) of the CBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s.148(4)(a)(i) of the CBCA: (a) may be deposited at the registered office of U.S. Silver or with the transfer agent of U.S. Silver as set out in the Circular; and (b) any such instruments must be received by U.S. Silver or its transfer agent not later than 5 p.m. on August 2, 2012 or, in the event that the Meeting is adjourned or postponed, at least two business days before the time to which the Meeting is adjourned or postponed.

Voting

16. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders who hold Shares of U.S. Silver as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

17. **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per Share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be passed, with or without variation, at the Meeting by an affirmative vote of at least two-thirds (66 $^{2}/_{3}$%) of the votes cast in respect of the Arrangement Resolution at the Meeting in person or by proxy by the Shareholders. Such votes shall be sufficient to authorize U.S. Silver to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

18. **THIS COURT ORDERS** that in respect of matters properly brought before the Meeting pertaining to items of business affecting U.S. Silver (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each Share held.

Dissent Rights

19. **THIS COURT ORDERS** that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in accordance with section 190 of the CBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 190(5) of the CBCA, any Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to U.S. Silver in the form required by section 190 of the CBCA and the Combination Agreement, which written objection must be received by U.S. Silver at its office located at 401 Bay Street, Suite 2702 P.O. Box 136, Toronto, ON M5H 2Y4 on or prior to 5:00 p.m. (Toronto) on August 2, 2012 (or prior to 5 p.m. on the day that is one business days immediately preceding any adjourned or postponed Meeting) and must otherwise strictly comply with the requirements of the CBCA. For purposes of these proceedings, the "court" referred to in section 190 of the CBCA means this Honourable Court.

20. **THIS COURT ORDERS** that, notwithstanding section 190(3) of the CBCA, U.S. Silver & Gold Inc., not U.S. Silver, shall be required to offer to pay fair value, as

of the day prior to approval of the Arrangement Resolution, for the Shares held by Shareholders who duly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Plan of Arrangement. In accordance with the Plan of Arrangement and the Circular, all references to the "corporation" in subsections 190(3) and 190(11) to 190(26), inclusive, of the CBCA (except for the second reference to the "corporation" in subsection 190(12) and the two references to the "corporation" in subsection 190(17)) shall be deemed to refer to "U.S. Silver & Gold Inc." in place of the "corporation", and U.S. Silver & Gold Inc. shall have all of the rights, duties and obligations of the "corporation" under subsections 190(11) to 190(26), inclusive, of the CBCA.

21. **THIS COURT ORDERS** that any Shareholder who duly exercises such Dissent Rights set out in paragraph 22 above and who:

(a) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its Shares, shall be deemed to have transferred those Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests to U.S. Silver & Gold Inc. for cancellation in consideration for a payment in cash from U.S. Silver & Gold Inc. equal to such fair value; or

(b) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its Shares pursuant to the exercise of the Dissent Right, shall be deemed to have participated in the Arrangement for share consideration on the same basis and at the same time as any non-dissenting Shareholder;

but in no case shall U.S. Silver, RX Gold, U.S. Silver & Gold Inc. or any other person be required to recognize such Shareholders as holders of Shares at or after the date upon which the Arrangement becomes effective and the names of such Shareholders shall be deleted from U.S. Silver's register of holders of Shares at that time.

Hearing of Application for Approval of the Arrangement

22. **THIS COURT ORDERS** that upon approval by the Shareholders of the Plan of Arrangement in the manner set forth in this Interim Order, U.S. Silver may apply to this Honourable Court for final approval of the Arrangement.

23. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Circular, when sent in accordance with paragraph 12 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 26.

24. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the solicitors for U.S. Silver, with a copy to counsel for RX Gold, as soon as reasonably practicable, and, in any event, no less than 2 business days before the hearing of this Application at the following addresses:

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Dan Murdoch LSUC#: 53123L
Tel: (416) 869-5529
Ellen Snow LSUC#: 52369B
Tel: (416) 869-5286
Fax: (416) 947-0866

Solicitors for U.S. Silver Corporation

DAVIES WARD PHILLIPS & VINEBERG LLP
Barristers & Solicitors
100 King Street West
1 First Canadian Place
Suite 4400
Toronto, ON M5X 1B8

James Doris
Tel: (416) 367-6919
Fax: (416) 863-0871

Solicitors for RX Gold & Silver Inc. and U.S. Silver & Gold Inc.

25. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

(a) U.S. Silver;

(b) RX Gold;

(c) U.S. Silver & Gold Inc.;

(d) the Director ; and

(e) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

26. **THIS COURT ORDERS** that any materials to be filed by U.S. Silver in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

27. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned or postponed, only those persons who served and filed a Notice of Appearance in accordance with paragraph 26 shall be entitled to be given notice of the adjourned or postponed date.

Precedence

28. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Shares, or the articles or by-laws of U.S. Silver, this Interim Order shall govern.

Extra-Territorial Assistance

29. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to

the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Variance

30. **THIS COURT ORDERS** that U.S. Silver shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

Court File No. CV-12-9781-00CL

E-21

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

ORDER

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Barristers & Solicitors
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Dan Murdoch LSUC#: 53123L
Tel: (416) 869-5529
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Fax: (416) 947-0866

Solicitors for the Applicant

IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

Court File No. CV-12-9781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

NOTICE OF MOTION
(Returnable July 9, 2012)

STIKEMAN ELLIOTT LLP
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Fax: (416) 947-0866

Solicitors for the Applicant

Court File No. CV-12-9781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	MONDAY, THE 9TH
	)	
JUSTICE MORAWETZ	)	DAY OF JULY, 2012

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

INTERIM ORDER

THIS MOTION made by the Applicant, U.S. Silver Corporation ("**U.S. Silver**"), for an interim order for advice and directions pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, (the "**CBCA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Notice of Application issued on July 5, 2012 and the Affidavit of Christopher Hopkins sworn July 5, 2012, (the "**Hopkins Affidavit**"), including the Plan of Arrangement, which is attached as Appendix F to the draft management proxy circular of U.S. Silver (the "**Circular**"), which is attached as Exhibit "A" to the Hopkins Affidavit, and on hearing the

submissions of counsel for U.S. Silver and counsel for RX Gold & Silver Inc. ("**RX Gold**") and on being advised that the Director appointed under the CBCA (the "**Director**") does not consider it necessary to appear.

Definitions

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meaning ascribed thereto in the Circular or otherwise as specifically defined herein.

The Meeting

2. **THIS COURT ORDERS** that U.S. Silver is permitted to call, hold and conduct a special meeting (the "**Meeting**") of the holders of voting common shares (the "**Shareholders**") in the capital of U.S. Silver (the "**Shares**") to be held on August 7, 2012 at 10:00 a.m. (Toronto time) at the offices of Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, M5L 1B9 Toronto, Ontario in order for the Shareholders to consider and, if determined advisable, pass a special resolution authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (collectively, the "**Arrangement Resolution**").

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the CBCA, the notice of meeting of Shareholders, which accompanies the Circular (the "**Notice of Meeting**") and the articles and by-laws of

U.S. Silver, subject to what may be provided hereafter and subject to further order of this court.

4. **THIS COURT ORDERS** that the record date (the "**Record Date**") for determination of the shareholders entitled to notice of, and to vote at, the Meeting shall be July 6, 2012.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

(a) the Shareholders or their respective proxyholders;

(b) the officers, directors, auditors and advisors of U.S. Silver;

(c) representatives and advisors of RX Gold and the Combined Company;

(d) the Director; and

(e) other persons who may receive the permission of the Chair of the Meeting.

6. **THIS COURT ORDERS** that U.S. Silver may transact such other business at the Meeting as is contemplated in the Circular, or as may properly come before the Meeting or any adjournment or postponement thereof.

Quorum

7. **THIS COURT ORDERS** that the Chair of the Meeting shall be determined by U.S. Silver and that the quorum at the Meeting shall be two individuals present in

person, or represented by proxy, entitled to vote at the Meeting in accordance with the by-laws of U.S. Silver.

Amendments to the Arrangement and Plan of Arrangement

8. **THIS COURT ORDERS** that U.S. Silver is authorized to make, subject to the terms of the Combination Agreement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive notice under paragraphs 12 and 13 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid

ordinary mail, or by the method most reasonably practicable in the circumstances, as U.S. Silver may determine.

Amendments to the Circular

10. **THIS COURT ORDERS** that U.S. Silver is authorized to make such amendments, revisions and/or supplements to the draft Circular as it may determine and the Circular, as so amended, revised and/or supplemental, shall be the Circular to be distributed in accordance with paragraphs 12 and 13.

Adjournments and Postponements

11. **THIS COURT ORDERS** that U.S. Silver, if it deems advisable and subject to the terms of the Combination Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as U.S. Silver may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

Notice of Meeting

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, U.S. Silver shall send the Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, the form of proxy and the letter of transmittal, along with such amendments or additional documents as U.S. Silver may determine are

necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "**Meeting Materials**"), to the following:

(a) the registered Shareholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:

(i) by pre-paid ordinary or first class mail at the addresses of the Shareholders as they appear on the books and records of U.S. Silver, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of U.S. Silver;

(ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or

(iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of U.S. Silver, who requests such transmission in writing and, if required by U.S. Silver, who is prepared to pay the charges for such transmission;

(b) the non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and

(c) the respective directors and auditors of U.S. Silver, and to the Director appointed under the CBCA, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

THIS COURT ORDERS that, in the event that U.S. Silver elects to distribute the Meeting Materials, U.S. Silver is hereby directed to distribute the Circular (including the Notice of Application, and this Interim Order), and any other communications or documents determined by U.S. Silver to be necessary or desirable (collectively, the "**Court Materials**") to the holders of options for U.S. Silver Shares, by any method permitted for notice to Shareholders as set forth in paragraphs 12(a) or 12(b), above, concurrently with the distribution described in paragraph 12 of this Interim Order. Distribution to such persons shall be to their addresses as they appear on the books and records of U.S. Silver or its registrar and transfer agent at the close of business on the Record Date.

THIS COURT ORDERS that accidental failure or omission by U.S. Silver to give notice of the Meeting or to distribute the Meeting Materials or Court Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of U.S. Silver, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of U.S. Silver, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

THIS COURT ORDERS that U.S. Silver is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials and Court Materials, as U.S. Silver may determine in accordance with the terms of the Combination Agreement ("**Additional Information**"), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as U.S. Silver may determine.

13. **THIS COURT ORDERS** that distribution of the Meeting Materials and Court Materials pursuant to paragraphs 12 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraphs 12 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or the Court Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9, above.

Solicitation and Revocation of Proxies

14. **THIS COURT ORDERS** that U.S. Silver is authorized to use the letter of transmittal and proxies substantially in the form of the drafts accompanying the Circular, with such amendments and additional information as U.S. Silver may determine are necessary or desirable, subject to the terms of the Combination

Agreement. U.S. Silver is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. U.S. Silver may waive generally, in its discretion, the time limits set out in the Circular for the deposit or revocation of proxies by Shareholders, if U.S. Silver deems it advisable to do so.

15. **THIS COURT ORDERS** that Shareholders shall be entitled to revoke their proxies in accordance with section 148(4) of the CBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s.148(4)(a)(i) of the CBCA: (a) may be deposited at the registered office of U.S. Silver or with the transfer agent of U.S. Silver as set out in the Circular; and (b) any such instruments must be received by U.S. Silver or its transfer agent not later than 5 p.m. on August 2, 2012 or, in the event that the Meeting is adjourned or postponed, at least two business days before the time to which the Meeting is adjourned or postponed.

Voting

16. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders who hold Shares of U.S. Silver as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are

properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

17. **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per Share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be passed, with or without variation, at the Meeting by an affirmative vote of at least two-thirds (66 2/3%) of the votes cast in respect of the Arrangement Resolution at the Meeting in person or by proxy by the Shareholders. Such votes shall be sufficient to authorize U.S. Silver to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

18. **THIS COURT ORDERS** that in respect of matters properly brought before the Meeting pertaining to items of business affecting U.S. Silver (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each Share held.

Dissent Rights

19. **THIS COURT ORDERS** that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in

accordance with section 190 of the CBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 190(5) of the CBCA, any Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to U.S. Silver in the form required by section 190 of the CBCA and the Combination Agreement, which written objection must be received by U.S. Silver at its office located at 401 Bay Street, Suite 2702, P.O. Box 136, Toronto, ON M5H 2Y4 on or prior to 5:00 p.m. (Toronto) on August 31, 2012 (or prior to 5 p.m. on the day that is one business days immediately preceding any adjourned or postponed Meeting) and must otherwise strictly comply with the requirements of the CBCA. For purposes of these proceedings, the "court" referred to in section 190 of the CBCA means this Honourable Court.

20. **THIS COURT ORDERS** that, notwithstanding section 190(3) of the CBCA, U.S. Silver & Gold Inc., not U.S. Silver, shall be required to offer to pay fair value, as of the day prior to approval of the Arrangement Resolution, for the Shares held by Shareholders who duly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Plan of Arrangement. In accordance with the Plan of Arrangement and the Circular, all references to the "corporation" in subsections 190(3) and 190(11) to 190(26), inclusive, of the CBCA (except for the second reference to the "corporation" in subsection 190(12) and the two references to the "corporation" in subsection 190(17))

shall be deemed to refer to "U.S. Silver & Gold Inc." in place of the "corporation", and U.S. Silver & Gold Inc. shall have all of the rights, duties and obligations of the "corporation" under subsections 190(11) to 190(26), inclusive, of the CBCA.

21. **THIS COURT ORDERS** that any Shareholder who duly exercises such Dissent Rights set out in paragraph 22 above and who:

(a) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its Shares, shall be deemed to have transferred those Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests to U.S. Silver & Gold Inc. for cancellation in consideration for a payment in cash from U.S. Silver & Gold Inc. equal to such fair value; or

(b) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its Shares pursuant to the exercise of the Dissent Right, shall be deemed to have participated in the Arrangement for share consideration on the same basis and at the same time as any non-dissenting Shareholder;

but in no case shall U.S. Silver, RX Gold, U.S. Silver & Gold Inc. or any other person be required to recognize such Shareholders as holders of Shares at or after the date upon which the Arrangement becomes effective and the names of such Shareholders shall be deleted from U.S. Silver's register of holders of Shares at that time.

Hearing of Application for Approval of the Arrangement

22. **THIS COURT ORDERS** that upon approval by the Shareholders of the Plan of Arrangement in the manner set forth in this Interim Order, U.S. Silver may apply to this Honourable Court for final approval of the Arrangement.

23. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Circular, when sent in accordance with paragraph 12 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 26.

24. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the solicitors for U.S. Silver, with a copy to counsel for RX Gold, as soon as reasonably practicable, and, in any event, no less than 2 business days before the hearing of this Application at the following addresses:

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Dan Murdoch LSUC#: 53123L
Tel: (416) 869-5529
Ellen Snow LSUC#: 52369B
Tel: (416) 869-5286
Fax: (416) 947-0866

Solicitors for U.S. Silver Corporation

DAVIES WARD PHILLIPS & VINEBERG LLP
Barristers & Solicitors
100 King Street West
1 First Canadian Place
Suite 4400
Toronto, ON M5X 1B8

James Doris

Tel: (416) 367-6919
Fax: (416) 863-0871

Solicitors for RX Gold & Silver Inc. and U.S. Silver & Gold Inc.

25. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

(a) U.S. Silver;

(b) RX Gold;

(c) U.S. Silver & Gold Inc.;

(d) the Director ; and

(e) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

26. **THIS COURT ORDERS** that any materials to be filed by U.S. Silver in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

27. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned or postponed, only those persons who served and filed a Notice of

Appearance in accordance with paragraph 26 shall be entitled to be given notice of the adjourned or postponed date.

Precedence

28. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Shares, or the articles or by-laws of U.S. Silver, this Interim Order shall govern.

Extra-Territorial Assistance

29. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Variance

30. **THIS COURT ORDERS** that U.S. Silver shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

Court File No. CV-12-9781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

ORDER

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Dan Murdoch LSUC#: 53123L
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Tel: (416) 869-5286
Fax: (416) 947-0866

Solicitors for the Applicant

Appendix F – Plan of Arrangement

PLAN OF ARRANGEMENT UNDER SECTION 192 OF *THE CANADA BUSINESS CORPORATIONS ACT*

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless something in the subject matter or context is inconsistent therewith, the following terms have the respective meanings set forth below and grammatical variations shall have the corresponding meanings:

"**Arrangement**" means the arrangement under the provisions of section 192 of the CBCA, on the terms and conditions set forth in this Plan of Arrangement, subject to any amendments or modifications hereto made in accordance with Article 7 of the Combination Agreement and Article 5 hereof or the direction of the Court in the Final Order (provided that any such amendment or modification is acceptable to both U.S. Silver and RX Gold, each acting reasonably);

"**Arrangement Resolution**" means the special resolution of the U.S. Silver Shareholders approving the Arrangement in accordance with the Interim Order;

"**Articles of Arrangement**" means the articles of arrangement of U.S. Silver in respect of the Arrangement, required by the CBCA to be sent to the Director after the Final Order is made, which shall include this Plan of Arrangement and otherwise be in a form and content satisfactory to U.S. Silver and RX Gold, each acting reasonably;

"**Business Day**" means any day, other than Saturday, Sunday or a statutory holiday in Toronto, Ontario;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Effective Time;

"**Certificate of Arrangement**" means the certificate of arrangement issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement;

"**Circular**" means the notice of U.S. Silver Meeting and the accompanying management proxy circular (including all schedules, appendices and exhibits thereto, and information incorporated by reference therein) to be sent to the U.S. Silver Shareholders in connection with the U.S. Silver Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Combination Agreement;

"**Combination Agreement**" means the combination agreement dated June 7, 2012 between U.S. Silver, RX Gold and Newco and all amendments thereto made in accordance with its terms;

"**Court**" means the Superior Court of Justice of the Province of Ontario;

"**Depository**" means such institution as U.S. Silver may determine with the approval of RX Gold, acting reasonably, or any successor thereto;

"**Director**" means the Director appointed pursuant to section 260 of the CBCA;

"**Dissent Rights**" means the right of a registered U.S. Silver Shareholder to dissent in respect of the Arrangement Resolution pursuant to the procedure set forth in section 190 of the CBCA, Section 3.1, the Interim Order and the Final Order;

"**Effective Date**" means the date shown in the Certificate of Arrangement;

"**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date;

"**Encumbrance**" means any mortgage, hypothec, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

"**Exchange Ratio**" means the exchange ratio of 0.670 Newco Shares for each U.S. Silver Share, as it may be adjusted in accordance with Section 2.5 of the Combination Agreement;

"**Final Order**" means the final order of the Court pursuant to section 192 of the CBCA, after a hearing upon the fairness of the terms and conditions of the Arrangement, approving the Arrangement, as such order may be amended by the Court (with the consent of U.S. Silver and RX Gold, each acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or amended (provided that any such amendment is acceptable to both U.S. Silver and RX Gold, each acting reasonably) on appeal;

"**Governmental Entity**" means (a) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the above, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (d) any stock exchange;

"**In-the-Money Amount**" means, in respect of a U.S. Silver Option or a Newco Option issued in exchange for a U.S. Silver Option, as applicable, at any time, the amount, if any, by which the Underlying Share Market Value, at that time, of the U.S. Silver Shares or the Newco Shares subject to the U.S. Silver Option or the Newco Option, as applicable, exceeds the total exercise price under the U.S. Silver Option or the Newco Option, as applicable;

"**Interim Order**" means the interim order of the Court providing for, among other things, the calling and holding of the U.S. Silver Meeting, as such order may be amended, supplemented or varied by the Court (with the consent of U.S. Silver and RX Gold, each acting reasonably);

"**Letter of Transmittal**" means the letter of transmittal sent by U.S. Silver to the U.S. Silver Shareholders with the Circular;

"**Newco**" means U.S. Silver & Gold Inc., a corporation existing under the *Business Corporations Act* (Ontario);

"**Newco Option Plan**" means the stock option plan of Newco dated the Effective Date to be in a form satisfactory to U.S. Silver and RX Gold, each acting reasonably, and acceptable to the Toronto Stock Exchange;

"**Newco Options**" means options issued under the Newco Option Plan;

"**Newco Shares**" means the common shares in the capital of Newco;

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status;

"**Plan of Arrangement**" means this plan of arrangement as the same may be amended from time to time in accordance with Section 5.1 hereof or the direction of the Court in the Final Order (with the consent of U.S. Silver and RX Gold, each acting reasonably);

"**RX Gold**" means RX Gold & Silver Inc., a corporation existing under the *Business Corporations Act* (Ontario);

"**RX Gold Plan of Arrangement**" means the plan of arrangement under the *Business Corporations Act* (Ontario) of RX Gold contemplated by the Combination Agreement;

"**Tax Act**" means the *Income Tax Act* (Canada) and any regulations promulgated thereunder, in each case as amended;

"**Underlying Share Market Value**" means, in respect of the U.S. Silver Shares, the closing trading price of the U.S. Silver Shares on the Toronto Stock Exchange on the last trading day immediately before the Effective Date and, in respect of the Newco Shares, the closing trading price of the Newco Shares on the Toronto Stock Exchange on the Effective Date;

"**U.S. Silver**" means U.S. Silver Corporation, a corporation existing under the *Canada Business Corporations Act*;

"**U.S. Silver Meeting**" means the special meeting of U.S. Silver Shareholders, including any adjournments or postponements thereof, to be held for the purpose of considering the special resolution approving the Arrangement in accordance with the Interim Order;

"**U.S. Silver Option Plan**" means the stock option plan of U.S. Silver;

"**U.S. Silver Optionholders**" means the holders of U.S. Silver Options;

"**U.S. Silver Options**" means options outstanding under the U.S. Silver Option Plan;

"**U.S. Silver Shareholders**" means the holders of U.S. Silver Shares; and

"**U.S. Silver Shares**" means the common shares in the capital of U.S. Silver.

1.2 Construction

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

(a) references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Plan of Arrangement and not to any particular Article or Section;

(b) references to an "Article" or "Section" are references to an Article or Section of this Plan of Arrangement;

(c) words importing the singular shall include the plural and vice versa, words importing gender shall include the masculine, feminine and neuter genders, and references to a "person" or "persons" shall include individuals, corporations, partnerships, associations, bodies politic and other entities, all as may be applicable in the context;

(d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;

(e) the word "includes" or "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and

(f) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

1.3 Currency

All references to currency herein are to Canadian dollars unless otherwise specified.

ARTICLE 2
THE ARRANGEMENT

2.1 Combination Agreement and U.S. Silver Arrangement

This Plan of Arrangement is made pursuant to the provisions of the Combination Agreement and constitutes an arrangement as referred to in section 192 of the CBCA. This Plan of Arrangement shall become effective contemporaneous with the RX Gold Plan of Arrangement.

2.2 Arrangement

Commencing at the Effective Time the following shall occur and shall be deemed to occur in the following order without any further act or formality, with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it unless otherwise expressly stated:

(a) Dissenting Shareholders

each U.S. Silver Share held by a U.S. Silver Shareholder who has validly exercised its Dissent Rights (and the Dissent Right of such U.S. Silver Shareholder to dissent with respect to such U.S. Silver Share has not terminated or ceased to apply with respect to such U.S. Silver Share) will be and be deemed to be transferred by such U.S. Silver Shareholder to Newco, free and clear of any Encumbrances, without any further act or formality, and such U.S. Silver Shareholder will cease to be the holder thereof or have any rights as a holder in respect of such U.S. Silver Share other than the right to be paid by Newco the fair value of such U.S. Silver Share determined and payable in accordance with Article 3; such U.S. Silver Shareholder's name shall be removed from the register of holders of U.S. Silver Shares, Newco shall be the legal and beneficial owner of the U.S. Silver Shares transferred pursuant to this Section 2.1(a) and Newco shall be added to the register of holders of U.S. Silver Shares accordingly;

(b) Exchange of U.S. Silver Shares for Newco Shares

contemporaneous with the step in Section 2.2(b) of the RX Gold Plan of Arrangement, all U.S. Silver Shares, other than those referred to in Section 2.2(a), shall be exchanged on the following basis:

(i) all such U.S. Silver Shares shall be transferred, free and clear of any Encumbrances, to Newco, solely in exchange for the issue by Newco to the U.S. Silver Shareholders in respect of such U.S. Silver Shares of Newco Shares on the basis of the Exchange Ratio, subject to Section 4.3 hereof; and

(ii) upon completion of the exchanges referred to in this Section 2.2(b), (y) each U.S. Silver Shareholder: shall cease to be such a holder of U.S. Silver Shares; shall, if a registered holder, have such holder's name removed from the register of holders of U.S. Silver Shares; shall be a holder of the number of Newco Shares to which such holder is entitled as a result of such exchanges; and, if a registered holder, shall have its name added to the register of holders of Newco Shares accordingly; and (z) Newco shall be the legal and beneficial owner of the U.S. Silver Shares transferred pursuant to Section 2.2(b)(i) and Newco shall be added to the register of holders of U.S. Silver Shares accordingly; and

(c) Exchange of U.S. Silver Options for Newco Options

each U.S. Silver Option shall, without any further action on the part of any U.S. Silver Optionholder, be exchanged for an option issued under the Newco Option Plan to purchase the number of Newco Shares determined by multiplying the number of U.S. Silver Shares subject to the particular U.S. Silver Option at the Effective Time by the Exchange Ratio, at an exercise price per Newco Share equal to the exercise price per share in the particular U.S. Silver Option at the Effective Time divided by the Exchange Ratio, provided that the exercise price otherwise determined shall be automatically adjusted to the extent, if any, required to ensure that the In-the-Money Amount, immediately after the exchange, of the Newco Option issued in exchange for the U.S. Silver Option does not exceed the In-the-Money Amount of the exchanged U.S. Silver Option immediately before the exchange. If the foregoing calculation results in Newco Options held by a particular holder being exercisable for an aggregate number of Newco Shares that is not a whole number, the number of Newco Shares subject to such Newco Options will be rounded down to the nearest whole number of Newco Shares and, if the foregoing calculation results in the exercise price per whole Newco Share including a fraction of a cent, the exercise price per whole Newco Share will be rounded up to the nearest whole cent. Except as provided in this Section 2.2(c), the term, exercisability and all other terms and conditions of the U.S. Silver Options in effect at the Effective Time shall govern the Newco Options for which the U.S. Silver Option is so exchanged.

ARTICLE 3
RIGHTS OF DISSENT

3.1 Rights of Dissent

Registered holders of U.S. Silver Shares may exercise Dissent Rights pursuant to and in the manner set forth in section 190 of the CBCA and in this Section 3.1, as the same may be modified by the Interim Order or the Final Order, in respect of the Arrangement Resolution; provided that, notwithstanding sections 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in section 190(5) of the CBCA must be received by U.S. Silver not later than 5:00 p.m. (Toronto time) on the second Business Day preceding the U.S. Silver Meeting. Registered holders of U.S. Silver Shares who duly exercise such Dissent Rights and who:

(a) are ultimately entitled to be paid the fair value of their U.S. Silver Shares shall be deemed to have transferred such shares to Newco on the Effective Date pursuant to Section 2.2(a) and shall not be entitled to any other payment or consideration; or

(b) are ultimately not entitled to be paid the fair value for their U.S. Silver Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as any non-dissenting U.S. Silver Shareholder as at and from the Effective Date and shall receive Newco Shares on the basis set forth in Section 2.2(b);

but in no case shall U.S. Silver, Newco or any other person be required to recognize such holders as holders of U.S. Silver Shares after the occurrence of the step of this Plan of Arrangement set forth in Section 2.2(a), and the names of such holders shall be deleted from the register of U.S. Silver Shareholders on the Effective Date. In addition to any other restrictions in section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (i) U.S. Silver Optionholders; (ii) U.S. Silver Shareholders who vote or have instructed a proxyholder to vote in favour of the Arrangement Resolution; and (iii) U.S. Silver Shareholders who are not registered shareholders.

ARTICLE 4
CERTIFICATES AND NO FRACTIONAL SECURITIES

4.1 Issuance of Certificates Representing Newco Shares

At or promptly after the Effective Time, Newco shall deposit with the Depository, for the benefit of the former U.S. Silver Shareholders who exchanged U.S. Silver Shares pursuant to the Arrangement, certificates representing the Newco Shares issued pursuant to the Arrangement upon the exchanges. Upon surrender and delivery to the Depository at any of its offices specified in the Letter of Transmittal of a certificate which prior to the Effective Time represented outstanding U.S. Silver Shares, together with a duly completed Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depository shall forthwith deliver to such holder, a certificate representing that number (rounded down to the nearest whole number) of Newco Shares which such holder received pursuant to the Arrangement (together with any dividends or distributions with respect thereto pursuant to Section 4.2), and any certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of U.S. Silver Shares which is not registered in the transfer records of U.S. Silver, a certificate representing the proper number of Newco Shares (together with any dividends or distributions with respect thereto pursuant to Section 4.2) shall be delivered to a transferee if the certificate formerly representing such U.S. Silver Shares is presented to the Depository at its offices as aforesaid, accompanied by the foregoing documents together with all other documents required to evidence and effect such transfer. Until surrendered as contemplated by this Section 4.1, each certificate which prior to the Effective Time represented outstanding U.S. Silver Shares shall be deemed at any time after the Effective Time, but subject to Section 4.5, to represent only the right to receive upon such surrender (a) the certificate representing Newco Shares as contemplated by this Section 4.1, and (b) any dividends or distributions with a record date on or after the Effective Date theretofore paid or payable with respect to Newco Shares as contemplated by Section 4.2.

4.2 Dividends and Other Distributions

No dividends or other distributions declared or made on or after the Effective Date with respect to the Newco Shares with a record date on or after the Effective Date shall be paid to the holder of any certificates formerly

representing outstanding U.S. Silver Shares which are not surrendered pursuant to Section 4.1 unless and until the certificate representing such U.S. Silver Shares, together with a duly completed Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require, shall be surrendered and delivered in accordance with Section 4.1. Subject to applicable law and to Section 4.5, at the time of such surrender and delivery of any such certificate, together with a duly completed Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require (or, in the case of clause (b) below, at the appropriate payment date), there shall be paid to the holder of the Newco Shares resulting from such exchange, in all cases without interest, (a) the amount of dividends or other distributions with a record date on or after the Effective Date theretofore paid with respect to such Newco Shares, and (b) the amount of dividends or other distributions with a record date on or after the Effective Date but prior to surrender and a payment date subsequent to surrender payable with respect to such Newco Shares.

4.3 No Fractional Shares

No certificates or scrip representing fractional Newco Shares shall be issued upon the surrender for exchange of certificates pursuant to Section 4.1, and such fractional interests shall not entitle the owner thereof to vote or to possess or exercise any rights as a securityholder of Newco. In lieu of any such fractional interests, the number of Newco Shares to be issued upon such surrender shall be rounded up or down to the nearest Newco Share.

4.4 Lost Certificates

If any certificate which prior to the Effective Time represented outstanding U.S. Silver Shares which were exchanged pursuant to Section 2.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, together with such additional documents and instruments as the Depository may reasonably require, the Depository will issue in exchange for such lost, stolen or destroyed certificate, certificates representing Newco Shares (together with any dividends or distributions with respect thereto pursuant to Section 4.2) deliverable in respect thereof as determined in accordance with Section 2.1. When seeking such certificate and payment in exchange for any lost, stolen or destroyed certificate, the person to whom certificates representing Newco Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Newco and its transfer agent, in such sum as Newco may direct or otherwise indemnify Newco and its transfer agent in a manner satisfactory to Newco and its transfer agent against any claim that may be made against Newco or its transfer agent with respect to the certificate alleged to have been lost, stolen or destroyed.

4.5 Extinguishment of Rights

Any certificate which prior to the Effective Time represented outstanding U.S. Silver Shares which were exchanged pursuant to Section 2.2 and has not been deposited, with all other documents and instruments required by Section 4.1, on or prior to the sixth anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature as a shareholder or a holder of Newco Shares or U.S. Silver Shares. On such date, the Newco Shares (and any dividends or distributions with respect thereto) shall be deemed to have been surrendered to Newco, together with all entitlements to dividends, distributions, cash and interest thereon held for such former holder, for no consideration, and such shares and rights shall thereupon be cancelled and the name of the former registered holder shall be removed from the register of holders of such shares.

4.6 Exchanged U.S. Silver Options

As soon as practical after the Effective Date, Newco shall confirm in writing to each of the former holders of U.S. Silver Options the terms of their options for Newco Shares for which their U.S. Silver Options have been exchanged pursuant to Section 2.2(c).

4.7 Withholding Rights

Newco, U.S. Silver and the Depository shall be entitled to deduct and withhold from any consideration otherwise payable to any holder of U.S. Silver Shares such amounts as Newco or the Depository is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the United States *Internal Revenue Code of 1986* or any provision of applicable federal, provincial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Newco Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 5
AMENDMENTS

5.1 Amendments

(a) U.S. Silver reserves the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time provided that any such amendment, modification or supplement must be (i) in writing, (ii) consented to by each of U.S. Silver and RX Gold, (iii) filed with the Court and, if made following the U.S. Silver Meeting, approved by the Court and (iv) communicated to U.S. Silver Shareholders if and in the manner required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by U.S. Silver at any time prior to or at the U.S. Silver Meeting (provided that RX Gold shall have consented thereto in writing), with or without any prior notice or communication, and if so proposed and accepted by the persons voting at the U.S. Silver Meeting (other than as may be required under the Interim Order) shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the U.S. Silver Meeting shall be effective only if it is consented to in writing by each of U.S. Silver and RX Gold, each acting reasonably, and, if required by the Court, it is consented to by some or all of the U.S. Silver Shareholders.

(d) Notwithstanding the foregoing provisions of this Section 5.1, no amendment, modification or supplement of this Plan of Arrangement may be made prior to the Effective Time except in accordance with the terms of the Combination Agreement.

(e) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Combination Agreement.

5.2 Termination

Notwithstanding any prior approvals by the Court or by U.S. Silver Shareholders, the board of directors of U.S. Silver may decide not to proceed with the Arrangement in accordance with the terms of the Combination Agreement and to revoke the Arrangement Resolution adopted at the U.S. Silver Meeting at any time prior to the Effective Time, without further approval of the Court or the U.S. Silver Shareholders.

5.3 Effect of Termination

Upon the termination of this Plan of Arrangement pursuant to Section 5.2 hereof, no party shall have any liability or further obligation to any other party hereunder.

CV-12-9781-00CL

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

U.S. SILVER CORPORATION

Applicant

NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on **August 9, 2012**, at **10:00 a.m.**, or as soon after that time as the application may be heard, at 330 University Avenue, Toronto, Ontario and thereafter as directed by the Court.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the applicant do not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicants' lawyer or, where the applicant do not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date July 5, 2012

Issued by _____
Local registrar

Address of court office: 330 University Avenue, Toronto, Ontario, M5G 1R7

TO: ALL HOLDERS OF COMMON SHARES OF U.S. SILVER CORPORATION

AND TO: ALL HOLDERS OF OPTIONS OF U.S. SILVER CORPORATION

AND TO: ALL DIRECTORS OF U.S. SILVER CORPORATION

AND TO: THE AUDITOR FOR U.S. SILVER CORPORATION

AND TO: THE DIRECTOR APPOINTED UNDER THE *CANADA BUSINESS CORPORATIONS ACT*

AND TO: RX GOLD & SILVER INC.

c/o **DAVIES WARD PHILLIPS & VINEBERG LLP**
Barristers & Solicitors
100 King Street West
1 First Canadian Place
Suite 4400
Toronto, ON M5X 1B8

James Doris
Tel: (416) 367-6919
Fax: (416) 863-0871

APPLICATION

1. **THE APPLICANT MAKES APPLICATION FOR:**

(a) an interim order (the "**Interim Order**") for advice and directions pursuant to section 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), with respect to an arrangement (the "**Arrangement**") arising out of a proposed combination transaction between U.S. Silver Corporation ("**U.S. Silver**"), RX Gold & Silver Inc. ("**RX Gold**") and U.S. Silver & Gold Inc. (the "**Combined Company**"), which is currently a wholly owned subsidiary of RX Gold, as described in the U.S. Silver management proxy circular (the "**Circular**");

(b) a final order approving the Arrangement pursuant to sections 192(3) and 192(4) of the CBCA; and

(c) such further and other relief as to this Honourable Court seems just.

2. **THE GROUNDS FOR THE APPLICATION ARE:**

(a) U.S. Silver is a corporation governed by the CBCA, with its registered office in Toronto, Ontario and its shares listed and traded on the Toronto Stock Exchange;

(b) the Arrangement is an "arrangement" within the meaning of section 192(1) of the CBCA;

(c) section 192 of the CBCA;

(d) all statutory procedures under section 192 of the CBCA and other applicable provisions of the CBCA either have been met or will be met by the return date of this Application;

(e) there is no practicable way to effect the Arrangement other than under section 192 of the CBCA;

(f) U.S. Silver is not insolvent;

(g) the Arrangement is put forward in good faith;

(h) the Arrangement is fair and reasonable;

(i) the directions set forth in any Interim Order this Court may grant, and the shareholder approvals required, will be followed and obtained by the date of the return of this Application;

(j) certain holders of common shares of U.S. Silver are resident outside of Ontario and will be served at their addresses as they appear on the books and records of U.S. Silver pursuant to Rules 17.02(n) and 17.02(o) of the *Rules of Civil Procedure* and the terms of any Interim Order for advice and directions granted by this Honourable Court;

(k) section 3(a)(10) of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), exempts from the registration requirements of the U.S. Securities Act those securities which are issued in exchange for *bona fide* outstanding securities where the terms and conditions of such issuance and exchange are approved after a hearing by a court upon the fairness of such terms and conditions, at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear. Based on the Court's approval of the Arrangement, the Combined Company intends to rely upon this exemption under section 3(a)(10) of the U.S. Securities Act to issue the Combined Company Shares to Shareholders;

(l) National Instrument 54-101 of the Canadian Securities Administrators;

(m) Rules 14.05, 17.02, 37 and 38 of the *Rules of Civil Procedure*; and

(n) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:**

(a) the Affidavit of Christopher Hopkins on behalf of U.S. Silver, to be sworn, and the exhibits thereto;

(b) a further or supplementary Affidavit to be sworn, and the exhibits thereto, on behalf of U.S. Silver, reporting as to compliance with any Interim Order and the results of any meeting conducted pursuant to such Interim Order; and

(c) such further and other materials as counsel may advise and this Honourable Court may permit.

July 5, 2012

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Solicitors for the Applicant

IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING U.S. SILVER CORPORATION, RX GOLD & SILVER INC. AND U.S. SILVER & GOLD INC.

Court File No: CV-12-9781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding Commenced at Toronto

NOTICE OF APPLICATION

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Solicitors for the Applicant

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Appendix H – Information About the Combined Company

TABLE OF CONTENTS

SCHEDULES

NOTICE TO READER

All capitalized terms used in this Appendix that are not otherwise defined herein have the meaning ascribed to such terms elsewhere in this Circular. Unless otherwise indicated herein, references to "$" are to Canadian dollars and references to "US$" are to United States dollars. See also in this Circular, "*Cautionary Statement Regarding Forward-looking Statements*".

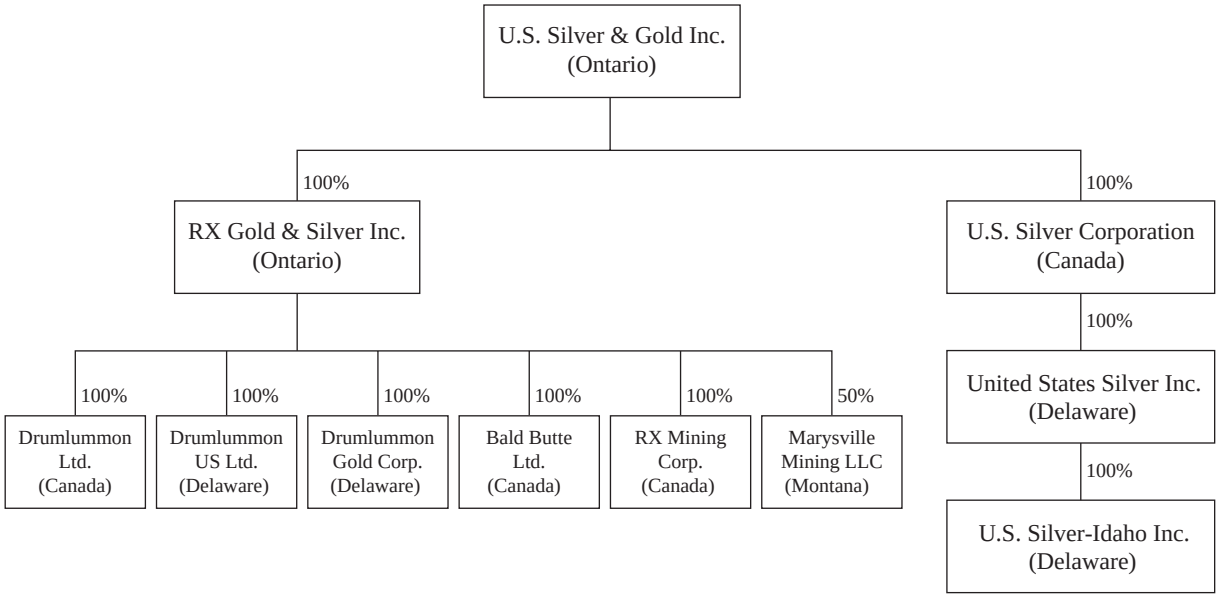
CORPORATE STRUCTURE

The Combined Company was incorporated under the OBCA on June 6, 2012 as a wholly-owned subsidiary of RX Gold. At the Effective Time, the Combined Company will cease to be a wholly-owned subsidiary of RX Gold and will acquire all of the outstanding RX Gold Shares and all of the outstanding common shares of U.S. Silver in exchange for the issuance of Combined Company Shares. Following the Combination Transaction, it is expected that approximately 30% of the approximately 60 million Combined Company Shares outstanding will be owned by former RX Gold Shareholders and approximately 70% of the Combined Company Shares will be owned by former shareholders of U.S. Silver. See in this Appendix, "*Principal Shareholders of the Combined Company*".

The Combined Company is currently not a reporting issuer or the equivalent in any jurisdiction and is not listed on any stock exchange. Upon completion of the Combination Transaction, the Combined Company expects to become a reporting issuer in certain provinces of Canada. The Combined Company Shares to be issued pursuant to the Combination Transaction are expected to be listed on the TSX under the symbol "USA". See in this Appendix, "*Market for Securities*", and in this Circular, "*Securities Laws Considerations"*.

The Combined Company's head and registered office is located at 145 King Street West, Suite 1220, Toronto, Ontario, Canada M5H 1J8. Following the Combination Transaction, it is expected that the Combined Company's head and registered office will remain at this address.

Upon completion of the Combination Transaction, the subsidiaries of the Combined Company, the jurisdictions of incorporation of those subsidiaries and the percentage of voting securities held directly or indirectly by the Combined Company will be as follows:



DESCRIPTION OF THE BUSINESS

General Description of the Business and Operations

The Combined Company was incorporated for the sole purpose of participating in the Combination Transaction and has not carried on any business or activities other than in connection with the Combination Transaction and related matters. Following the Combination Transaction, the Combined Company, through its wholly-owned subsidiaries RX Gold and U.S. Silver, will be engaged in the exploration and development of U.S. Silver's producing Galena mine in Idaho, RX Gold's producing Drumlummon mine in Montana and U.S. Silver's Coeur re-development project and Caladay project in Idaho, as well as the acquisition and exploration of other properties that it considers to have potential for gold, silver and other mineral discoveries in the United States and elsewhere.

Complete descriptions of the business and operations of each of U.S. Silver and RX Gold are contained in this Circular under the heading *"Information About U.S. Silver"* and in Appendix "I", respectively.

Business Objectives

The Combined Company's strategy will be to create shareholder value through the exploration, advancement and development of its mineral properties. The close proximity of the Drumlummon mine and U.S. Silver's Silver Valley properties provides an opportunity for the Combined Company to focus in the near term on improving mine planning, development and exploration efforts, as well as realizing operating synergies at the respective properties.

Although the Combined Company believes that the current development and production prospects for both the Galena mine and the Drumlummon mine show considerable upside potential, mineral exploration in general is both uncertain and subject to fluctuating commodity prices resulting from changing trends in supply and demand. The Combined Company believes that by acquiring additional mineral properties it will be better able to minimize overall exploration, development and production risk and risks associated with fluctuating commodity prices. As a result, the Combined Company will consider additional accretive acquisitions of mineral property interests on a going forward basis, with the objectives of (i) creating additional value for shareholders through the acquisition of additional mineral exploration properties and (ii) minimizing exploration risk by diversifying the Combined Company's property portfolio.

As the Combined Company's portfolio of properties grows, it is anticipated that there will be a greater emphasis on the exploration of such properties, with the long-term goal of developing these properties and achieving commercial production. The Combined Company may enter into partnerships or joint ventures in order to fully exploit the exploration and production potential of its exploration assets.

Employees

As of the date of this Circular, the Combined Company has appointed three officers, being Darren Blasutti, Warren Varga and Peter McRae, each of whom is currently an officer of RX Gold. Following the Combination Transaction, the management team of the Combined Company will be comprised of certain members of the current management of RX Gold and U.S. Silver. The Combined Company believes that it will have adequate personnel with the specialized skills required to successfully carry out its operations. See in this Appendix, "*Directors and Officers of the Combined Company*".

Following the Combination Transaction, the Combined Company expects to have approximately 482 employees in total, including 330 employees at its operations in Idaho, 140 employees at its operations in Montana and 12 employees at the head office in Toronto. Approximately 100 of these employees will be unionized workers subject to a collective bargaining agreement with U.S. Silver's wholly-owned subsidiary, U.S. Silver-Idaho Inc.

Financing

It is currently estimated that, following the Combination Transaction, the Combined Company will have approximately US$25 million in working capital and approximately US$7.9 million in debt outstanding under the senior secured line of credit facility agreement dated November 8, 2011 (the "Credit Agreement") between RX Gold,

through its wholly-owned subsidiary Drumlummon Ltd., and an affiliate of Hale Capital Partners, L.P. The Credit Agreement provides funding of up to US$10 million. All amounts owing under the Credit Agreement are guaranteed by RX Gold. Outstanding amounts under the Credit Agreement accrue interest at a fixed rate of 8.75% per annum with interest payable monthly in arrears starting the sixth month after the initial advance of funds. Amounts owing under the Credit Agreement may be prepaid in whole or in part without premium or penalty at any time and any remaining outstanding amounts are due on or before May 8, 2013. The Credit Agreement is secured by a first charge against all the properties and assets of RX Gold, Drumlummon Ltd., Drumlummon Gold Corp. and Drumlummon US Ltd. The Combined Company believes this combination of working capital and debt will be sufficient to fund exploration and evaluation work at its mineral properties and general and administrative expenses of the Combined Company, as currently contemplated. See Schedule I to this Appendix, "*Unaudited Consolidated Pro Forma Financial Statements of the Combined Company*" and in the Circular, "*Risks Associated with the Combination Transaction*".

Environmental and Social Matters

The Combined Company will be committed to meeting industry standards in each jurisdiction in which it operates with respect to environment, health and safety and human rights policies. Management, employees and contractors will be governed by and required to comply with the Combined Company's pending environment, health and safety policies as well as all applicable federal, provincial and municipal legislation and regulations.

Competitive Conditions

The mineral exploration and mining business is competitive in all phases of exploration, development and production. Following the Combination Transaction, the Combined Company will compete with a number of other entities in the search for, and the acquisition of, productive mineral properties, as well as for the recruitment and retention of qualified employees, contractors and consultants. In particular, there is a high degree of competition faced by the Combined Company in North America and elsewhere for desirable mining property interests, suitable prospects for drilling operations and necessary mining equipment, and many of these companies will have greater financial resources, operational experience and/or more advanced properties than the Combined Company. As a result of this competition, the Combined Company may be unable to acquire attractive properties in the future on terms it considers acceptable or at all. See in this Circular, "*Risks Relating to the Combination Transaction"*.

Bankruptcy and Similar Proceedings

There have been no bankruptcy, receivership or similar proceedings against the Combined Company, or any voluntary receivership, bankruptcy or similar proceeding by the Combined Company, since incorporation.

Material Restructuring Transactions

There have been no material restructuring transactions of the Combined Company since incorporation and, other than the Combination Transaction, none are proposed for the current financial year.

PRINCIPAL PROPERTIES

If the Combination Transaction is completed, the Combined Company will indirectly acquire the interests of RX Gold and certain of its subsidiaries in the Drumlummon mine and the interests of U.S. Silver and its subsidiaries in the Galena mine and the Coeur re-development project. Of these properties, management of the Combined Company considers the Drumlummon mine and U.S. Silver's Silver Valley properties to be material for the purposes of NI 43-101. The Drumlummon mine is discussed in more detail in Appendix I under the heading "*Principal Properties*" and the Silver Valley properties are discussed in more detail under the heading *"Information About U.S. Silver"* in this Circular.

DESCRIPTION OF SHARE CAPITAL OF THE COMBINED COMPANY

The authorized capital of the Combined Company consists of an unlimited number of common shares without par value. The Combined Company Shareholders are entitled to receive notice of and to attend all meetings of Combined Company Shareholders and are entitled to one vote for each Combined Company Share held at all meetings of

Combined Company Shareholders. The Combined Company Shareholders would be entitled to receive dividends and the Combined Company would be required to pay dividends thereon, as and when declared by the Combined Company Board out of moneys properly applicable to the payment of dividends, in such amount and in such form as the Combined Company Board may from time to time determine, and all dividends which the Combined Company Board may declare on the Combined Company Shares are required to be declared and paid in equal amounts per share on all Combined Company Shares at the time outstanding. In the event of the dissolution, liquidation or winding-up of the Combined Company, whether voluntary or involuntary, or any other distribution of assets of the Combined Company among its shareholders for the purpose of winding up its affairs, the Combined Company Shareholders are entitled to receive the remaining property and assets of the Combined Company. The Combined Company Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

MARKET FOR SECURITIES

As at the date of this Circular, there is no market through which the Combined Company Shares to be issued pursuant to the Combination Transaction may be sold and shareholders of either U.S. Silver or RX Gold may not be able to resell the Combined Company Shares to be issued to them pursuant to the Combination Transaction. This may affect the pricing of the Combined Company Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Combined Company Shares and the extent of the regulations to which the Combined Company is subject. Prior to the mailing of this Circular, the Corporation applied for, and the TSX provided, conditional approval for the substitutional listing of the Combined Company Shares on the TSX under the stock symbol "USA", subject to the Combined Company fulfilling all the conditions to and substitutional listing requirements of the TSX. However, there can be no assurance when, or if, the Combined Company Shares will be listed on the TSX or on any other stock exchange. See in this Circular, "*Risks Relating to the Combination Transaction*".

DIVIDEND POLICY

The Combined Company has not paid dividends since its incorporation. While there are no restrictions precluding the Combined Company from paying dividends, it anticipates using all available cash resources towards its stated business objectives. At present, the Combined Company's policy is to retain earnings, if any, to finance its business operations. The Combined Company Board will determine if and when dividends should be declared and paid in the future based on the Combined Company's financial position at the relevant time.

SELECTED FINANCIAL INFORMATION

Financial Statements

Included as Schedule I to this Appendix are the unaudited *pro forma* consolidated financial statements of the Combined Company in respect of the Combined Company after giving effect to the Combination Transaction and the acquisition by the Combined Company of all of the outstanding RX Gold Shares and all of the outstanding common shares of U.S. Silver, comprised of (a) an unaudited *pro forma* consolidated balance sheet as at March 31, 2012, (b) an unaudited *pro forma* consolidated statement of operations for the three months ended March 31, 2012 and (c) an unaudited *pro forma* consolidated statement of operations for the year ended December 31, 2011.

Included as Schedule II to this Appendix is the audited statement of financial position of the Combined Company as at June 6, 2012.

Included as Schedule III to this Appendix are the unaudited consolidated financial statements of RX Gold for the three and nine months ended March 31, 2012 and 2011.

The following documents are specifically incorporated by reference into, and form an integral part of, this Appendix:

(a) the audited consolidated financial statements of RX Gold for the fiscal years ended June 30, 2011 and 2010;

(b) the audited consolidated financial statements of U.S. Silver for the fiscal years ended December 31, 2011 and 2010; and

(c) the unaudited consolidated interim financial statements of U.S. Silver for the three months ended March 31, 2012, except for the Notice of No Auditor Review of Interim Financial Statements.

Copies of the documents incorporated herein by reference may be obtained on request without charge from U.S. Silver at 401 Bay Street, Suite 2702, P.O. Box 136, Toronto, Ontario, M5H 2Y4. These documents are also available electronically on the respective profiles of U.S. Silver and RX Gold at www.sedar.com.

PRO FORMA CONSOLIDATED CAPITALIZATION OF THE COMBINED COMPANY

The following table sets out the share and loan capital of the Combined Company before and after giving effect to the Combination Transaction. The table should be read in conjunction with the unaudited consolidated pro forma financial statements of the Combined Company attached as Schedule I to this Appendix, as well as with the other disclosure contained in this Appendix and in this Circular. See also in this Appendix, "*Description of Share Capital of the Combined Company*" and "*Prior Sales*".

Capital	Amount outstanding as of June 6, 2012[1]	Amount outstanding as of the date of this Circular[1]	Amount outstanding assuming completion of the Combination Transaction[2]
Combined Company Shares	$1 (1 Combined Company Share)	$1 (1 Combined Company Share)	US$79,368,000 (59,424,936 Combined Company Shares)
Total Debt	$0	$0	US$8,395,000[3]

(1) See in this Appendix, "*Prior Sales*".

(2) These figures are extracted from the unaudited consolidated pro forma financial statements of the Combined Company as at March 31, 2012 attached as Schedule I to this Appendix. See in this Circular, *"Procedure for the Combination Transaction to be Completed"* and *"The Combination Transaction — Procedure for Exchange of the Shares"*.

(3) The debt outstanding is under the terms of the Credit Agreement, to which Drumlummon Ltd., RX Gold and certain of its other subsidiaries are a party.

PRIOR SALES

On June 6, 2012, the Combined Company issued one common share in the capital of the Combined Company to RX Gold at a price of $1.00 per share. See in this Appendix, "*Pro Forma Consolidated Capitalization of the Combined Company*".

TRADING PRICE AND VOLUME

The Combined Company Shares are not currently traded or quoted on a stock exchange. See in this Appendix, "*Market for Securities*".

OPTIONS TO PURCHASE SECURITIES

The Combined Company Board expects to adopt the Combined Company Option Plan at the Effective Time and to submit the Combined Company Option Plan to the Combined Company Shareholders for approval at the next annual shareholder meeting following the Meeting. No Combined Company Options have been granted to date. Assuming completion of the Combination Transaction, immediately following the Effective Time, all of the outstanding RX Gold Options and U.S. Silver Options will be exchanged for Combined Company Options pursuant to the Arrangements and the applicable terms of the RX Gold Options and U.S. Silver Options governing adjustments. See in this Circular *"The Combination Transaction — Treatment of Outstanding Options"*. A copy of the Combined Company Option Plan is attached as Schedule IV to this Appendix. A summary of the principal terms of the Combined Company Option Plan is provided in this Appendix under the heading *"Executive Compensation — Combined Company Option Plan"*.

Assuming completion of the Combination Transaction, immediately following the Effective Time, all of the outstanding RX Gold Warrants and U.S. Silver Warrants will become exercisable for Combined Company Shares pursuant to the applicable terms thereof governing adjustments. See in this Circular, "*The Combination Transaction — Treatment of Outstanding Warrants*".

PRINCIPAL SHAREHOLDERS OF THE COMBINED COMPANY

As of the date of this Circular, RX Gold holds one Combined Company Share representing 100% of the issued and outstanding Combined Company Shares. Upon completion of the Combination Transaction and pursuant to its terms, it is expected that approximately 30% of the approximately 60 million Combined Company Shares outstanding will be owned by the former RX Gold Shareholders and approximately 70% of the Combined Company Shares will be owned by the former shareholders of U.S. Silver (in each case subject to adjustment as a result of the exercise of Dissent Rights and the elimination of fractional Combined Company Shares pursuant to the Plan of Arrangement). For further details with respect to the ownership of the Combined Company Shares on completion of the Combination Transaction, see in this Circular, "*The Combination Transaction*", and in particular, "*Procedures for the Combination Transaction to be Completed"*.

Assuming completion of the Combination Transaction, immediately following the Effective Time, to the knowledge of the Combined Company's directors and officers, no person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the then outstanding Combined Company Shares, other than the following:

Name of Shareholder	Number of Combined Company Shares Controlled or Directed[1]	Percentage of Combined Company Shares Controlled or Directed[2]
Sprott Asset Management L.P.	7,354,739	12.4%

(1) Based on 13,390,000 RX Gold Shares and 8,798,850 shares of U.S. Silver controlled or directed as of June 7, 2012.

(2) Assumes 59,424,936 Combined Company Shares issued and outstanding immediately following the Effective Time. Sprott will exercise control or direction over approximately 11.2% of the Combined Company Shares issued and outstanding on a fully-diluted basis.

ESCROWED SECURITIES

To the knowledge of the Combined Company, as of the date of this Circular, no securities of the Combined Company are held in escrow or are anticipated to be held in escrow following the Effective Date.

DIRECTORS AND OFFICERS OF THE COMBINED COMPANY

The number of directors of the Combined Company is currently set at a minimum of one and a maximum of 10. As of the date of this Circular, Darren Blasutti is the sole director of the Combined Company. The Combined Company has appointed three officers, being Darren Blasutti, Warren Varga and Peter McRae, each of whom is currently an officer of RX Gold.

Following the Combination Transaction, the Combined Company management team and the Combined Company Board will be comprised of certain of the current directors and officers of RX Gold and U.S. Silver. Each of the proposed directors of the Combined Company will hold office until the next annual general meeting of shareholders of the Combined Company, unless the director's office is earlier vacated or the director becomes disqualified to serve as a director.

The following table sets forth the name, province or state and country of residence, position with the Combined Company, principal occupation during the previous five years and the pro forma number of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, for the proposed directors and executive officers of the Combined Company after giving effect to the Combination Transaction.

Name and Residence and Position with the Combined Company	Principal Occupation for Five Preceding Years	Number and Percentage of Combined Company Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised[1]
Gordon Pridham[3] Ontario, Canada *Chairman of the Board*	Interim Chief Executive Officer, Director and Executive Chairman, U.S. Silver Corporation Principal, Edgewater Capital Former Chairman, Monarch Wealth Management	131,320 (0.22%)
Darren Blasutti Ontario, Canada *Director and Chief Executive Officer*	President and Chief Executive Officer, RX Gold & Silver Inc. Former Senior Vice President, Corporate Development, Barrick Gold Corporation Corporate Director, Private Investor and Chartered Accountant	177,052 (0.30%)
Hugh Agro[2] Ontario, Canada *Director*	Director, RX Gold & Silver Inc. Former Executive Vice President, Strategic Development, Kinross Gold Corp. Corporate Director	81,750 (0.14%)
John Brock[2] British Columbia, Canada *Director*	Director, U.S. Silver Corporation Chief Executive Officer of Pacific Ridge Exploration Advisor to Manex Resources Group Former President of Badger and Co. Management	21,440 (0.04%)
Alex Davidson[3] Ontario, Canada *Director*	Director, RX Gold & Silver Inc. Former Executive Vice President, Exploration and Corporate Development, Barrick Gold Corporation Corporate Director	76,300 (0.13%)
Louis Dionne[4] Ontario, Canada *Director*	Director, RX Gold & Silver Inc. Corporate Director and Mining Consultant	49,050 (0.08%)
Alan Edwards[4] Colorado, United States *Director*	Director, U.S. Silver Corporation President, AE Consulting Corp. Former President and Chief Executive Officer, Frontera Copper Corporation and Copper One Inc. Corporate Director	7,638 (0.01%)
Thomas Ryley[4] Ontario, Canada *Director*	Director, U.S. Silver Corporation Managing Partner and Principal, Beacon Head Energy Executive Vice President of Refining and Marketing, Suncor Energy Inc.	71,020 (0.12%)
Lorie Waisberg[2] [3] Ontario, Canada *Director*	Director, RX Gold & Silver Inc. Corporate Director	50,467 (0.08%)
Robert M. Taylor Montana, United States *Chief Operating Officer*	Chief Operating Officer, RX Gold & Silver Inc. Former Vice President, North American Operations, Kinross Gold Corp.	13,625 (0.02%)
Warren Varga Ontario, Canada *Chief Financial Officer*	Chief Financial Officer, RX Gold & Silver Inc. Former Senior Director, Corporate Development, Barrick Gold Corporation	10,900 (0.02%)

Name and Residence and Position with the Combined Company	Principal Occupation for Five Preceding Years	Number and Percentage of Combined Company Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised[1]
Steve Long Ontario, Canada *Senior Vice President, Operations*	Vice President, Chief Operating Officer, U.S. Silver Corporation Former Mine Superintendent & Mine Manager, Newmont Mining Corporation Quarry Manager, Dutra Materials	Nil (0%)
James R. Atkinson Ontario, Canada *Vice President, Exploration*	Vice President, Exploration, RX Gold & Silver Inc. Former Exploration Manager, Noront Resources Ltd. Former Senior Environmental Consultant and Senior Hydrologist, Trow Associates, AMEC and ADI	Nil (0%)
Peter J. McRae Ontario, Canada *Vice President, General Counsel*	Vice President, General Counsel, RX Gold & Silver Inc. Former associate at Weil, Gotshal & Manges LLP	2,725 (0.005%)

(1) Assumes 59,424,936 Combined Company Shares issued and outstanding immediately following the Effective Time. The information as to the Combined Company Shares to be beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Combined Company by its proposed directors and officers as of the date hereof.

(2) Proposed member of the Audit Committee of the Combined Company (the "Audit Committee").

(3) Proposed member of the Compensation and Corporate Governance Committee of the Combined Company (the "Compensation and Corporate Governance Committee").

(4) Proposed member of the Safety, Health and Environmental Committee of the Combined Company (the "Safety, Health and Environmental Committee").

Directors and Officers of the Combined Company

The following is a brief description of the background and experience of each proposed member of the Combined Company's management team and the Combined Company Board.

Gordon Pridham – Chairman of the Board

Mr. Pridham is currently the Interim Chief Executive Officer of U.S. Silver. Mr. Pridham is an experienced corporate executive with more than 30 years of experience in national and international markets. He has worked in New York, Calgary, Toronto and Hong Kong for global financial institutions and has financed and advised companies in public and private markets across a broad range of industry sectors. He has an extensive background in the energy and natural resources sectors, having worked in the Energy and Minerals group of Chemical Bank and National Bank in New York, Calgary and Toronto. Mr. Pridham also worked in the Investment Banking groups of Merrill Lynch Canada and Midland Walwyn and managed the Investment Banking groups at Deutsche Morgan Grenfell, Research Capital and Raymond James. Mr. Pridham is a principal of Edgewater Capital a private equity and advisory firm. Mr. Pridham also sits on the public company boards of Newalta Corporation and Titanium Corporation Inc., where he acts as Chairman. He is also on the advisory board for Loves Travel Stops & Country Stores, a large U.S. based family business. He previously chaired the Special Committees at NorRock Realty and Western Prospector, both of which were subsequently sold. Through this experience he has acquired a detailed understanding of how companies fund their growth, acquire new business and provide value back to shareholders. Mr. Pridham is a graduate of the University of Toronto and the Institute of Corporate Directors program.

Darren Blasutti – Director and Chief Executive Officer

Mr. Blasutti is currently the President and Chief Executive Officer of RX Gold. Mr. Blasutti was formerly Senior Vice President of Corporate Development for Barrick Gold Corporation ("Barrick"). He reported to the Chief Executive Officer and played a lead role in the strategic development of Barrick for over 13 years, during which time he executed over 25 gold mining transactions including the acquisition of Homestake Mining Company ("Homestake

Mining") and Placer Dome Inc. and the consolidation of the world class Cortez property from Rio Tinto. Mr. Blasutti also led the creation of Barrick Energy Inc. to hedge Barrick's exposure to energy prices and was integral to the initial public offering of African Barrick Gold. During his tenure at Barrick, he also led the Investor Relations function. Mr. Blasutti was previously at PricewaterhouseCoopers LLP where he planned, supervised and managed audits for a variety of clients. Mr. Blasutti is a member of the Canadian Institute of Chartered Accountants and is a director of Noront Resources Ltd.

Hugh Agro – Director

Mr. Agro is currently a director of RX Gold. Mr. Agro is a retired mining executive. Most recently, he was Executive Vice President, Strategic Development at Kinross Gold Corporation ("Kinross") responsible for Kinross' growth activities including corporate development and exploration. He has previously held senior executive positions with Placer Dome Canada, Senator Capital Partners and in investment banking with Deutsche Bank's global metal and mining group. Mr. Agro is a director of Strata Minerals Inc., where he is Chairman, Victoria Gold Corp., Chantrell Ventures Corp. and Berens Estate Winery. Mr. Agro has a B.Sc in Applied Sciences from Queen's University and an M.B.A., Finance from the University of British Columbia and the London Business School.

John Brock – Director

Mr. Brock is currently a director of U.S. Silver. Mr. Brock holds a B.Sc. in geology and geophysics and has over 40 years of experience, including serving as an executive with over 20 public junior exploration companies. Through companies under his management, he has participated in 12 major mineral deposit discoveries in northern and western Canada, Nevada, Mexico, Ecuador, Sumatra and Mongolia. Mr. Brock has also played a significant role in the equity financing of the public companies under his management. He served six years as a governor/board member of the Vancouver Stock Exchange and the CDNX Exchange and two years on the TSX-V Advisory Board. In recognition of his contributions to Canadian mineral exploration and finance, he is a recipient of a number of awards. Mr. Brock is currently Chief Executive Officer of Pacific Ridge Exploration, a director of West Kirkland Mining Inc. and is an advisor to the Manex Resources Group.

Alex Davidson – Director

Mr. Davidson is currently a director of RX Gold. Mr. Davidson was formerly Executive Vice President, Exploration and Corporate Development at Barrick, with responsibility for Barrick's international exploration programs and corporate development activities. Mr. Davidson joined Barrick in 1993 as Vice President Exploration with responsibility for Barrick's expanding exploration program. He initiated Barrick's expansion out of North America and into Latin America and beyond. Prior to joining Barrick, Mr. Davidson was Vice President, Exploration for Metall Mining Corporation. Mr. Davidson has over 25 years' experience in designing, implementing and managing gold and base metal exploration and acquisition programs throughout the world. In 2005, Mr. Davidson was presented the A.O. Dufresne Award by the Canadian Institute of Mining, Metallurgy and Petroleum to recognize exceptional achievement and distinguished contributions to mining exploration in Canada. In 2003, Mr. Davidson was named the Prospector of the Year by the Prospectors and Developers Association of Canada in recognition of his team's discovery of the Lagunas Norte Project in the Alto Chicama District in Peru. Mr. Davidson is also a director of Chantrell Ventures Corp., Hana Mining Ltd., Kobex Minerals Inc., MBAC Fertilizer Corp., Capital Drilling Limited, Volta Resources Inc. and Yamana Gold Inc.

Louis Dionne – Director

Mr. Dionne is currently a director of RX Gold. Mr. Dionne is a mining engineer with over 30 years of experience in the mining industry. Since 2005, Mr. Dionne has been an independent mining consultant. He was President and CEO of Richmont Mines Ltd., a Canadian gold producer from 2002 to 2005. Prior thereto, Mr. Dionne was Senior Vice President, Underground Operations at Barrick. Throughout his career he has provided technical, operational and management support for underground and open-pit operations. Mr. Dionne is also a director of Aurizon Mines Ltd. and Detour Gold Corporation.

Alan Edwards – Director

Mr. Edwards is currently a director of U.S. Silver. He also serves on the board of directors of AQM Copper Inc., where he acts as Chairman, AuRico Gold Inc., Entrée Gold Inc., Oracle Mining Corp. and Copper One Inc.

Mr. Edwards is currently the President of AE Consulting Corp., a Colorado-based company. From 2009 to May 2011, he was President and Chief Executive Officer of Copper One Inc., from 2007 to 2009, he was President and Chief Executive Officer of Frontera Copper Corporation and from 2004 to 2007, he was Executive Vice President and Chief Operating Officer for Apex Silver Mines Corporation. Mr. Edwards holds an MBA from the University of Arizona and a B.S. Mining Engineering also from the University of Arizona.

Thomas Ryley – Director

Mr. Ryley is currently a director of U.S. Silver. He serves as Managing Partner and Principal at Beacon Head Energy, a business advisory and investment management firm. Mr. Ryley has worked in the North American energy industry for over 30 years. He was the Executive Vice President of Refining and Marketing at Suncor Energy Inc. until March 2008, where he was employed for 25 years and held a wide range of commercial, operating and business development positions. He serves as Chairman of Benefuel Inc. and has been a director of Newalta Corporation since July 2009 and Tribute Resources Inc. since 2010. Mr. Ryley has a Bachelor of Arts degree from York University, Toronto and a Master of Public Administration degree from Carleton University, Ottawa.

Lorie Waisberg – Director

Mr. Waisberg is currently a director of RX Gold. Mr. Waisberg is a corporate director currently serving as a director of Baja Mining Corp., Chantrell Ventures Corp., Chemtrade Logistics Income Fund, Metalex Ventures Ltd., Primary Energy Recycling Corporation and Tembec Inc. Prior to retirement, Mr. Waisberg served as Executive Vice President, Finance and Administration of Co-Steel Inc., a steel manufacturer. Prior thereto, Mr. Waisberg practiced law with a major Canadian law firm. Mr. Waisberg is accredited as ICD.D.

Robert M. Taylor – Chief Operating Officer

Mr. Taylor is currently the Chief Operating Officer of RX Gold. Mr. Taylor has over 35 years of extensive mining industry experience, including operations, management, engineering and exploration for both underground and open pit mines. Mr. Taylor was most recently Senior Mining Consultant for AMEC Mining Metals plc. Previous to that he was Vice President of North American Operations for Kinross, and was responsible for all operations and exploration. Mr. Taylor has a B.S., Mine Engineering from the Colorado School of Mines.

Warren Varga – Chief Financial Officer

Mr. Varga is currently the Chief Financial Officer of RX Gold. Mr. Varga has over 15 years of progressive financial leadership experience and brings extensive senior management expertise to the Combined Company. Mr. Varga was most recently Senior Director, Corporate Development at Barrick. Mr. Varga is a member of the Canadian Institute of Chartered Accountants and a member of the Chartered Financial Analyst Institute.

S*teve Long – Senior Vice President, Operations*

Mr. Long is currently the Vice President, Chief Operating Officer of U.S. Silver. Mr. Long has in excess of 33 years of experience in underground mining in various senior management roles, most recently with Newmont Mining Corporation in Elko, Nevada and previously with Barrick, Echo Bay Mines Ltd. and Homestake Mining. He has a B.S. Mining Engineering from the University of Arizona and an Associates of Business Administration from New Mexico State University.

James R. Atkinson – Vice President, Exploration

Mr. Atkinson is currently the Vice President, Exploration at RX Gold. Mr. Atkinson is a licensed Professional Geologist and has over 25 years of experience in the field of exploration geology. In addition to his Masters of Science degree, Mr. Atkinson has completed more than 10 exploration programs across North America. Mr. Atkinson was most recently the Exploration Manager at Noront Resources Ltd. and prior to that he served as Senior Environmental Consultant and Senior Hydrologist for Trow Associates, AMEC and ADI.

Peter J. McRae – Vice President, General Counsel

Mr. McRae is currently the Vice President, Corporate Counsel at RX Gold. Mr. McRae was most recently an attorney at Weil, Gotshal & Manges LLP, a major international law firm based in New York, where he was an associate in the firm's corporate department and private equity and M&A practice groups. Mr. McRae's practice was focused on representing private equity funds and public and private companies in connection with acquisitions and divestitures, as well as providing counsel on general corporate matters. Mr. McRae graduated Summa Cum Laude with a B.S. and received his J.D. from Osgoode Hall, York University. He is currently a member of the New York Bar.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, no current or proposed director or executive officer of the Combined Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

As at the date of this Circular and within the 10 years before the date of this Circular, other than as disclosed herein, no proposed director or executive officer of the Combined Company:

(a) is or has been a director or executive officer of any company (including the Combined Company), that:

  (i) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days;

  (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after the person ceased to act in that capacity but which resulted from an event that occurred while that person was acting in that capacity, and which was in effect for a period of more than 30 consecutive days; or

  (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director or executive officer.

Mr. Agro was appointed as an officer of Kinross effective April 25, 2005. Kinross was issued a management cease trade order ("MCTO") by the Ontario Securities Commission ("OSC") on April 14, 2005. The OSC was notified of Mr. Agro's appointment and added Mr. Agro to the list of respondents in the MCTO.

Mr. Waisberg was a director of McWatters Mining Inc. ("MWA") from September 1997 to August 2004. MWA initiated insolvency proceedings in 2001 and 2004. Canadian securities regulators issued cease trade orders by reason of MWA's failure to file required financial statements. The cease trade orders are no longer in effect and MWA has emerged from bankruptcy. Mr. Waisberg was a director of FMF Capital Group Ltd. ("FMF") from March 2005 to May 18, 2007. On May 18, 2007 a subsidiary of FMF (of which Mr. Waisberg was not a director) conveyed its assets to a trustee to facilitate the orderly wind-up of its business.

Mr. Brock was a director of Future Mineral Corporation ("Future Mineral Corp.") when a cease trade order was issued against Future Mineral Corp. by the Alberta Securities Commission on December 20, 2002, which superseded a temporary cease trade order issued on December 6, 2002, in connection with Future Mineral Corp.'s failure to file its audited financial statements for the year ended June 30, 2002 and interim financial statements for the interim period

ended September 30, 2002. The board of directors was advised of this cease trade order by management of Future Mineral Corp. on January 10, 2003, and were further advised that due to the death of the President of Future Mineral Corp. the company was unable to proceed with a proposed capital pool transaction or have an audit completed on its corporate and financial records. Mr. Brock resigned from the board of directors on July 25, 2003. The cease trade order was subsequently revoked.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Combined Company will be subject in connection with the business of the Combined Company. In particular, certain of the proposed directors and/or officers of the Combined Company serve as directors and/or officers of other mineral exploration companies whose business may, from time to time, be in direct or indirect competition with the Combined Company. Conflicts, if any, will be subject to and governed by laws applicable to directors' and officers' conflicts of interest, including the procedures and remedies available under the OBCA. The OBCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the OBCA. As at the date of this Circular, the Combined Company is not aware of any existing or potential material conflicts of interest between the Combined Company and any current or proposed director or officer of the Combined Company.

EXECUTIVE COMPENSATION

As of the date of this Circular, the Combined Company has not carried on any business or activities other than in connection with the Combination Transaction and related matters and has not completed a fiscal year of operations. No compensation has been paid by the Combined Company to its executive officers or its sole director and none will be paid until after the Combination Transaction has been completed. Following the Combination Transaction, it is anticipated that the executive officers of the Combined Company will be paid salaries at a level that is commensurate with their particular roles and responsibilities and comparable to companies of similar size and character. It is expected that such salaries will be at levels similar to the salary levels at U.S. Silver. As at the date of this Circular, there are no employment agreements in place between the Combined Company and any of the current executive officers of the Combined Company and there are no provisions with the Combined Company for compensation for the executive officers of the Combined Company in the event of termination of employment or a change in responsibilities following a change of control of the Combined Company. It is expected that the Combined Company will enter into employment agreements with each of the proposed executive officers of the Combined Company on the Effective Date.

The Combined Company has not established an annual retainer fee or attendance fee for directors. However, it is expected that the Combined Company will establish directors' fees in the future and will reimburse directors for all reasonable expenses incurred in order to attend meetings. The Combined Company directors' fees and reimbursements are expected to be comparable to those currently paid at U.S. Silver. Any director who is also an executive officer of the Combined Company or any of its subsidiaries will not be entitled to receive a retainer or meeting fee.

Compensation Discussion and Analysis

The Combined Company's approach to executive compensation will be to attract, retain and motivate highly qualified executive officers who will drive the success of the company, while at the same time promoting a greater alignment of interests between such executive officers and Combined Company Shareholders. The Combined Company's compensation program will be designed to recruit and retain key individuals and reward individual and company performance with compensation that has long-term growth potential, while recognizing that the executives work as a team to achieve corporate results.

The primary components of the executive compensation are expected to be:

(a) base salary or consulting fee;

(b) annual incentive cash bonus; and

(c) long-term incentives in the form of stock options granted under the Combined Company Option Plan.

In addition to the establishment of competitive base salaries and long-term incentives tied directly to the Combined Company's share price performance, one of the important aspects of the Combined Company's executive compensation strategy will be to encourage and recognize strong levels of performance by linking achievement of specific short-term (i.e. yearly) goals such as the execution and implementation of the Combined Company's stated objectives and plans with variable compensation in the form of an annual bonus or short term incentive awards. This approach may be re-evaluated in the future to instead emphasize increased base salaries with a reduced reliance on variable compensation, depending upon the future development of the Combined Company and other factors which may be considered relevant by the Combined Company Board from time to time.

The Combined Company Board, with input from the Compensation and Corporate Governance Committee, will evaluate each executive officer's performance in light of these goals and objectives and, based on its evaluation, determine and approve the salary, bonus, options and other benefits for such officers. In determining compensation matters, the board may consider a number of factors, including the Combined Company's performance, the value of similar incentive awards to officers performing similar functions at comparable companies, the awards given in past years and other factors it considers relevant. With respect to any bonuses or incentive plan grants which may be awarded to executive officers in the future, the Combined Company has not currently set any objective criteria and will instead rely upon any recommendations and discussion at the board level with respect to the above-noted considerations and any other matters which the board may consider relevant on a going-forward basis.

Combined Company Option Plan

The Combined Company Board expects to adopt the Combined Company Option Plan at the Effective Time and to submit the Combined Company Option Plan to the Combined Company Shareholders for approval at the next annual shareholder meeting following the Meeting. A copy of the Combined Company Option Plan is attached as Schedule IV to this Appendix.

The following is a summary of the principal terms of the Combined Company Option Plan:

Eligible Participants

Combined Company Options may be granted under the Combined Company Option Plan only to directors, officers, employees and other eligible service providers (or corporations controlled by such persons), subject to the rules and regulations of applicable regulatory authorities and any stock exchange upon which the Combined Company Shares may be listed or may trade from time to time.

Transferability

The Combined Company Options are personal to each optionee and are non-assignable and non-transferable, unless expressly approved by the Combined Company Board or upon the death of an optionee in certain circumstances.

Limitations on Grants

No Combined Company Options shall be granted to any optionee if the issuance of Combined Company Shares to Insiders (as defined in the Combined Company Option Plan) under the Combined Company Option Plan and under all other share compensation arrangements within a one-year period exceeds 10% of the issued and outstanding Combined Company Shares. In addition, the total number of Combined Company Shares reserved for issuance pursuant to Combined Company Options granted under the Combined Company Option Plan or otherwise granted under all other share compensation arrangements to Insiders, at any time, may not exceed 10% of the issued and outstanding Combined Company Shares.

Exercise Price, Vesting and Term

The exercise price of the Combined Company Options is fixed by the Combined Company Board at the date of grant and may not be less than the "market price" on the trading day immediately preceding the day upon which the Combined Company Option is granted as determined in accordance with the Combined Company Option Plan and applicable stock exchange rules (generally being the closing sale price of such Combined Company Shares on the TSX

(or such other exchange on which the Combined Company Shares are trading) on such date). Combined Company Options vest at the discretion of the Combined Company Board, which vesting schedule is generally fixed at the time of grant by the Combined Company Board. Combined Company Options granted under the Combined Company Option Plan may have a term of up to 10 years (subject to an extension of the scheduled expiry date, as discussed below, in the event the option would otherwise expire during a blackout period).

Termination of Combined Company Options

The Combined Company Option Plan provides that, in the event that an optionee ceases to be a director, officer or employee of the Combined Company (for any reason other than termination for cause), the optionee may, unless otherwise determined by the Combined Company Board, exercise any unexercised Combined Company Options within a period of 90 days following such cessation, provided that no Combined Company Option may be exercised beyond its expiration date and only to the extent that such Combined Company Option was vested and exercisable as of the termination date. In the event that the optionee's employment or term of office is terminated by the Combined Company or any of its subsidiaries for cause, then any Combined Company Options held by such optionee, whether or not vested or exercisable as at the termination date, will immediately expire and be automatically cancelled on such termination date, unless otherwise determined by the Combined Company Board. In the event that the agreement or arrangement of an eligible service provider terminates by reason of (a) termination by the Combined Company or any of its subsidiaries for any reason other than for breach or default of the agreement or arrangement or (b) voluntary termination by such eligible service provider, the optionee may, unless otherwise determined by the Combined Company Board, exercise any unexercised Combined Company Options at any time prior to its expiration date but only to the extent that such Combined Company Option was vested and exercisable as of the termination date.

In the event of the death of an optionee, the legal representatives of the optionee may, unless otherwise determined by the Combined Company Board, exercise any unexercised Combined Company Options within a period of one year following such death, provided that no Combined Company Option may be exercised beyond its expiration date and only to the extent that such Combined Company Option was vested and exercisable as of the date of death. In the event of the cessation of employment or term of office or the termination of the agreement or arrangement of an eligible service provider as a result of the permanent disability of an optionee (which determination will be made by the Combined Company Board in its discretion), the legal representatives of the optionee may, unless otherwise determined by the Combined Company Board, exercise any unexercised Combined Company Options at any time prior to its expiration date but only to the extent that such Combined Company Option was vested and exercisable as of the date of determination of permanent disability.

In the event a Combined Company Option expires during a self-imposed blackout by the Combined Company, the optionee will have until the 10th business day following removal of the blackout to exercise such Combined Company Option.

Amendment Procedure

The Combined Company Option Plan may be amended or discontinued by the Combined Company Board at any time, subject to applicable regulatory and Combined Company Shareholder approvals, provided that no such amendment may materially and adversely affect any Option previously granted under the Combined Company Option Plan without the consent of the optionee, except to the extent required by law. The Combined Company Option Plan permits the Combined Company Board to make the following amendments without obtaining Combined Company Shareholder approval: (i) amendments to the Combined Company Option Plan of a "housekeeping nature"; (ii) changes to the vesting and exercise provisions of the Combined Company Option Plan or any Combined Company Option in a manner that does not entail an extension beyond the originally scheduled expiry date; (iii) changes to the termination provisions of the Combined Company Option Plan or any Combined Company Option that does not entail an extension beyond the original expiry date thereof; (iv) inclusion of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying Combined Company Shares from the Combined Company Option Plan reserve; (v) changes to the provisions on transferability of Combined Company Options for normal estate settlement purposes; (vi) changes to the process by which a an optionee who wishes to exercise his or her Combined Company Option can do so; and (vii) inclusion of a conditional exercise feature that would give optionees the ability to conditionally exercise in certain circumstances determined by the Combined Company Board. The Combined Company Option Plan also permits the Combined Company Board to make amendments required to comply with any applicable law or rule or policy of a stock exchange on which the Combined Company Shares are listed.

CORPORATE GOVERNANCE

National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") establishes corporate governance guidelines that apply to all public companies. These guidelines are not intended to be prescriptive but to be used by issuers in developing their own corporate governance practices. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") requires disclosure by each listed corporation of its approach to corporate governance with reference to these guidelines. Following the Combination Transaction, the Combined Company will be committed to sound corporate governance practices, which will both be in the interest of its shareholders and contribute to effective and efficient decision making.

Board of Directors

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Combined Company. A "material relationship" is defined as a relationship which could, in the view of the board of directors, be reasonably expected to interfere with the exercise of the director's independent judgment. In addition, certain categories of persons are deemed by NI 58-101 to have a material relationship with the Combined Company. On the Effective Date, the Combined Company Board will be comprised of nine members, seven of whom will be "independent directors" within the meaning of NI 58-101.

On the Effective Date, Darren Blasutti will not be considered an independent director as a result of his position as Chief Executive Officer of the Combined Company and Gordon Pridham will not be considered an independent director as a result of his position as Executive Chairman of U.S. Silver. The remaining proposed directors of the Combined Company will be considered to be independent directors since they are all independent of management and free from any material relationship with the Combined Company.

The Combined Company Board believes that it will function independently of management. To enhance its ability to act independently of management, the Combined Company Board may in the future meet in the absence of members of management or may excuse such persons from all or a portion of any meeting where an actual or potential conflict of interest arises or where the Combined Company Board otherwise determines is appropriate.

Directorships

Certain of the proposed directors of the Combined Company are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name of director	Other reporting issuer (or equivalent in a foreign jurisdiction)
Hugh Agro	• Strata Minerals Inc.
	• Victoria Gold Corp.
	• Chantrell Ventures Corp.
Darren Blasutti	• Noront Resources Ltd.
John Brock	• West Kirkland Mining Inc.
Alex Davidson	• Chantrell Ventues Corp.
	• Hana Mining Ltd.
	• Kobex Minerals Inc.
	• MBAC Fertilizer Corp.
	• Capital Drilling Limited
	• Volta Resources Inc.
	• Yamana Gold Inc.
Louis Dionne	• Aurizon Mines Ltd.
	• Detour Gold Corporation
Alan Edwards	• AQM Copper Inc.
	• AuRico Gold Inc.
	• Entrée Gold Inc.
	• Oracle Mining Corp.
	• Copper One Inc.

Name of director	Other reporting issuer (or equivalent in a foreign jurisdiction)
Gordon Pridham	• Newalta Corporation • Titanium Corporation Inc.
Thomas Ryley	• Newalta Corporation • Tribute Resources Inc.
Lorie Waisberg	• Baja Mining Corp. • Chantrell Ventures Corp. • Chemtrade Logistics Income Fund • Metalex Ventures Ltd. • Primary Energy Recycling Corporation • Tembec Inc.

Board Mandate

Following the Effective Time, the Combined Company Board will adopt a written mandate (the "Board Mandate"). A copy of the proposed Board Mandate is attached as Schedule VIII to this Appendix.

Position Descriptions

The Combined Company Board will not have a formal written position description for the Chairman of the Combined Company Board following the Effective Time. The primary responsibility of the Chairman of the Combined Company Board will be to provide leadership to the Combined Company Board to enhance its effectiveness.

The responsibilities of the Chairman, which will be set out in the Board Mandate, are summarized as follows:

(a) provide leadership to the Combined Company Board with respect to its functions as described in the Board Mandate;

(b) chair meetings of the Combined Company Board, including in camera sessions, unless not present;

(c) ensure that the Combined Company Board meets on a regular basis and at least quarterly;

(d) establish a calendar for holding meetings of the Combined Company Board;

(e) in conjunction with the Chief Executive Officer, establish the agenda for each meeting of the Combined Company Board, with input from other board members and any other parties as applicable;

(f) ensure that Combined Company Board materials are available to any director on request;

(g) foster ethical and responsible decision making by the Combined Company Board and its individual members;

(h) ensure that resources and expertise are available to the Combined Company Board so that it may conduct its work effectively and efficiently;

(i) facilitate effective communication between members of the Combined Company Board and management; and

(j) attend each meeting of shareholders to respond to any questions from shareholders that may be put to the Chairman.

The Combined Company Board has not adopted any written descriptions for the positions of the Chairs of the committees of the Combined Company Board. The responsibilities of the Chair of each committee are summarized as follows:

(a) provide leadership to the committee with respect to its functions as described in the applicable charter and as otherwise may be appropriate, including overseeing the logistics of the operations of the committee;

(b) chair meetings of the committee, unless not present, including in camera sessions, and reports to the Combined Company Board following each meeting of the committee on the findings, activities and any recommendations of the committee;

(c) ensure that the committee meets on a regular basis and at least twice per year, or more often as is necessary;

(d) in consultation with the Chairman of the Combined Company Board and the committee members, establish a schedule for holding meetings of the committee;

(e) establish the agenda for each meeting of the committee, with input from other committee members, the Chairman of the Combined Company Board and any other parties as applicable;

(f) ensure that committee materials are available to any director on request;

(g) act as liaison and maintains communication with the Chairman of the Combined Company Board and the Combined Company Board generally to optimize and coordinate input from Combined Company Board members, and to optimize the effectiveness of the Committee. This includes reporting to the full Combined Company Board on all proceedings and deliberations of the committee at the first meeting of the Combined Company Board after each committee meeting and at such other times and in such manner as the committee considers advisable;

(h) report annually to the Combined Company Board on the role of the committee and the effectiveness of the committee's role in contributing to the objectives and responsibilities of the Combined Company Board as a whole;

(i) ensure that the members of the committee understand and discharge their duties and obligations;

(j) foster ethical and responsible decision making by the committee and its individual members;

(k) oversee the structure, composition, membership and activities delegated to the committee from time to time;

(l) ensure that resources and expertise are available to the committee so that it may conduct its work effectively and efficiently and pre-approves work to be done for the committee by consultants;

(m) facilitate effective communication between members of the committee and management;

(n) when possible, attend each meeting of Combined Company Shareholders to respond to any questions from Combined Company Shareholders as may be put to the Chair; and

(o) perform such other duties and responsibilities as may be delegated to the Chair or by the Combined Company Board from time to time.

The Combined Company Board has not adopted a written description for the Chief Executive Officer. The Chief Executive Officer will be expected to perform all duties customarily performed by a chief executive officer of a publicly-held company engaged in a business similar to the Combined Company's business, including the administration and management of the business and affairs of the Combined Company, subject to the power of the Combined Company Board to expand or limit such duties and to override actions of the Chief Executive Officer. Without limiting the generality of the duties to be provided, the Chief Executive Officer will provide the following services:

(a) develop, recommend and implement corporate governance policies and practices, as approved by the Combined Company Board, for the benefit of the Combined Company and in accordance with all regulatory requirements;

(b) organize, administer and coordinate the Combined Company's geological and mining exploration and development operations including all administrative, financial and technical operations and coordinate the services and resources that are necessarily incidental to such operations;

(c) develop and recommend an organization structure and staffing, and personnel policies and procedures for approval by the Combined Company Board, supervise hiring of competent personnel and consultants required for the operation of the Combined Company's business and manage the efficient performance of the Combined Company's personnel;

(d) administer and assist with relations with regulatory agencies and the Combined Company's auditors, legal services and public and investor relations programs;

(e) manage the preparation and dissemination of the Combined Company's annual capital and expense budgets and operating plans, engineering and geological reports;

(f) supervise the operation of the various Combined Company business enterprises, and seek out, evaluate and, where practicable, negotiate new business opportunities for the Combined Company;

(g) liaise with the Combined Company's project and business partners, corporate allies, customers and suppliers;

(h) develop and recommend corporate strategy for approval by the Combined Company Board and administer the implementation of approved strategy and operating plans;

(i) develop and recommend appropriate policies and procedures for approval by the Combined Company Board and monitor the programs to ensure compliance with the Combined Company's policies and with all government and regulatory requirements; and

(j) administer and assist with the Combined Company's other support services and perform such other activities as are necessary or incidental to the services being provided by the Chief Executive Officer.

Orientation and Continuing Education

Following the Effective Time, and thereafter as soon as possible after the election or appointment of a new director, the Combined Company Board and the Combined Company's senior management will conduct orientation programs for new directors. The orientation programs will include presentations by management to familiarize new directors with the Combined Company's projects and strategic plans, significant financial, accounting and risk management issues, compliance programs, code of business conduct, principal officers, independent auditors and outside legal advisors. In addition, the orientation programs will include a review of the Combined Company's expectations of its directors in terms of time and effort, a review of the directors' duties and visits to the Combined Company's headquarters and, to the extent practical, the Combined Company's significant locations of operation. To enable each director to better perform his or her duties and to recognize and deal appropriately with issues that arise, the Combined Company will provide the directors with suggestions to undertake continuing director education.

Ethical Business Conduct

The Combined Company is committed to conducting its business in an ethical way and in compliance with applicable laws and regulations and will expect its employees to do the same. As part of this commitment, following the Effective Time, the Combined Company Board will adopt a written Code of Business Conduct that will apply to the directors, officers and employees of the Combined Company. The Code of Business Conduct will contain specific provisions dealing with conflicts of interest, matters of confidentiality and record keeping, use of company assets and corporate opportunities, workplace health and safety, reporting illegal or unethical behaviour, as well as general matters of and compliance with law and honesty and fair dealing. The Code of Business Conduct will also contain a set of suggested procedures that employees can use to raise issues they believe may violate such code. The Combined Company Board will be responsible for monitoring compliance with the Code of Business Conduct.

Following the Effective Time, the Combined Company Board will also adopt a written Timely Disclosure, Confidentiality and Insider Trading Policy (the "Policy"), which will apply to the directors, officers and employees of the Combined Company and its subsidiaries and other persons in similar relationships with the Combined Company. The Policy will contain specific provisions dealing with procedures and guidelines governing confidentiality, disclosure, trading in securities of the Combined Company and potential sanctions for violation of the Policy. Compliance with the Policy will be monitored by responsible officers and employees designated by the Combined Company Board who will oversee the procedures and guidelines relating to timely and fair disclosure.

The Combined Company Board will, from time to time, review and reassess the adequacy and effectiveness of the Code of Business Conduct and the Policy and may adopt additional codes or policies, as required. Copies of the Code of Business Conduct and the Policy will be available on the Combined Company's website and are expected to be filed on the Combined Company's profile on SEDAR at www.sedar.com.

Nomination of Directors

The Compensation and Corporate Governance Committee will be responsible for identifying new candidates to join the Combined Company Board. The Combined Company Board will encourage all directors to participate in the process of identifying and recruiting new candidates. While there are no specific criteria for membership to the

Combined Company Board, the Combined Company will seek to attract and retain directors with business knowledge and a particular expertise in mineral exploration and development or other areas of specialized knowledge (such as finance) which will assist in guiding the officers of the Combined Company.

Compensation

The Compensation and Corporate Governance Committee of the Combined Company Board will review, on an annual basis, the adequacy and form of compensation of directors and officers and will ensure that the levels of compensation of the Combined Company Board reflect the responsibilities, time commitment and risks involved in being an effective director. In its efforts to attract and retain experienced directors, the Combined Company may compensate directors partly with Combined Company Options, thereby conserving its cash resources and, equally importantly, aligning the directors' incentives with the interests of Combined Company Shareholders by providing them with the opportunity to participate in any increase in shareholder value that results from their contribution. See in this Appendix, "*Executive Compensation*" and "*Options to Purchase Securities*".

Board Committees

The Combined Company Board will have an Audit Committee, a Compensation and Corporate Governance Committee and a Safety, Health and Environmental Committee. The proposed members of these committees are listed under the heading "*Directors and Officers of the Combined Company*" in this Appendix. The Combined Company Board intends to adopt charters for each of these committees at or following the Effective Time. The proposed charters for each of the Audit Committee, the Compensation and Corporate Governance Committee and the Safety, Health and Environmental Committee are attached as Schedules V, VI and VII, respectively, to this Appendix.

Audit Committee

The Audit Committee will be responsible for monitoring the Combined Company's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, the quality and integrity of financial statements and for directing the auditors' examination of specific areas. The initial members of the Audit Committee are expected to be Hugh Agro (Chair), John Brock and Lorie Waisberg, all of whom will be "independent" directors as defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). Each member of the Audit Committee will be considered to be "financially literate" within the meaning of NI 52-110, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Combined Company's financial statements.

Relevant Education and Experience

The relevant education and experience of each of the proposed members of the Audit Committee is as follows:

Member	Relevant Education and Experience
Hugh Agro (Chair)	• Retired mining executive and former investment banker with Deutsche Bank's global metal and mining group • M.B.A., Finance from the University of British Columbia and the London Business School
John Brock	• Chief Executive Officer of Pacific Ridge Exploration who has served as an executive with over 20 public junior exploration companies • Played a significant role in the equity financing of the public companies under his management
Lorie Waisberg	• Corporate director who has served on the audit committees of several public companies • Former Executive Vice President, Finance and Administration of Co-Steel Inc.

Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all audit and non-audit services not prohibited by law to be provided by the independent auditors of the Combined Company.

Compensation and Corporate Governance Committee

The Compensation and Corporate Governance Committee will be responsible for assisting the Combined Company in determining the compensation of senior management of the Combined Company as well as reviewing the adequacy and form of the directors' compensation. The Compensation and Corporate Governance Committee is expected to annually review the goals and objectives of the Combined Company's Chief Executive Officer. This committee will also administer and make recommendations regarding the operation of the Combined Company's incentive plans. The Compensation and Corporate Governance Committee will also develop and recommend to the Combined Company Board criteria for selecting new directors and will be responsible for identifying new candidates to join the Combined Company Board and senior management. The Compensation and Corporate Governance Committee will perform evaluations of senior management and develop succession planning systems relating to senior management. This committee will also develop and recommend to the Combined Company Board appropriate corporate governance principles for the Combined Company. The initial members of the Compensation and Corporate Governance Committee are expected to be Lorie Waisberg (Chair), Alex Davidson and Gordon Pridham. Messrs. Waisberg and Davidson will be independent directors. Mr. Pridham will not be considered an independent director as a result of his position as Executive Chairman of U.S. Silver. The Compensation and Corporate Governance Committee will take appropriate steps to ensure an objective process for determining compensation.

Other Board Committees

The Safety, Health and Environmental Committee will assist the Combined Company Board in obtaining assurance that appropriate systems are in place to deal with the management of safety, health and environmental risks. Among other things, the Safety, Health and Environmental Committee will monitor the policies and systems of the Combined Company for ensuring compliance with various related regulatory requirements, review the policies and systems of the Combined Company for identifying and managing various related risks in the Combined Company's operations, and review and make recommendations to the Combined Company Board regarding related concerns to the Combined Company. The initial members of the Safety, Health and Environmental Committee are expected to be Thomas Ryley, Louis Dionne and Alan Edwards.

It is not anticipated that the Combined Company will have any additional committees following the Effective Time. The Combined Company Board may, however, establish additional committees, as required.

Assessments

Following the Effective Time, the Compensation and Corporate Governance Committee will oversee an annual self-evaluation of the Combined Company Board to determine whether it and its committees are functioning effectively. The Compensation and Corporate Governance Committee will determine the nature of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the Combined Company Board's performance. This evaluation will be discussed by the Combined Company Board.

PROMOTER

RX Gold, which is currently the sole shareholder of the Combined Company, may be considered to be a promoter of the Combined Company within the meaning of relevant Canadian securities legislation. As of the date hereof, RX Gold beneficially owns or exercises control or direction over the one Combined Company Share, comprising 100% of all issued and outstanding Combined Company Shares as of the date hereof. See in this Appendix, "*Principal Shareholders of the Combined Company*".

LEGAL MATTERS

There are no legal proceedings or regulatory actions involving the Combined Company as at the date of this Circular, and the Combined Company knows of no such proceedings or actions currently contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein and in this Circular, none of the directors or executive officers of the Combined Company, any shareholder directly or indirectly beneficially owning, or exercising control or direction over, more than 10% of the outstanding Combined Company Shares, nor an associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Combined Company or its subsidiaries, since the date of incorporation of the Combined Company.

MATERIAL CONTRACTS

The only material contract entered into by the Combined Company since the date of incorporation is the Combination Agreement.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Combined Company are expected to be PricewaterhouseCoopers LLP, at PWC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2. The registrar and transfer agent of the Combined Company is expected to be Equity Financial Trust Company, at its principal office in Toronto, Ontario.

SCHEDULE I
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE COMBINED COMPANY

U.S. Silver & Gold Inc.
Pro Forma Consolidated Statement of Financial Position
As at March 31, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars unless otherwise stated)

	U.S. Silver Corporation	RX Gold & Silver Inc.	Notes	Pro forma Adjustments	Pro forma Consolidated
Assets					
Current Assets					
Cash	$ 26,862	$ 1,437	3a)	$ (2,995)	$ 25,304
Trade receivables	7,079	1,658		—	8,737
Income tax receivable	1,968	—		—	1,968
Inventories	7,034	—	3b)	9,673	16,707
Prepaid expenses	290	116		—	406
	43,233	3,211		6,678	53,122
Non-current assets					
Restricted cash	115	42		—	157
Long-term investment in Argentium Resources Inc.	—	1,840	3c)	—	1,840
Property, plant and equipment	59,627	3,911	3d)	29,185	92,723
Goodwill	—	—	3d)	8,755	8,755
Deferred income tax asset	892	—		—	892
Total Assets	$103,867	$ 9,004		$ 44,618	$157,489
Liabilities					
Current Liabilities					
Trade and other payables	$ 5,278	$ 3,494		—	$ 8,772
Income tax payable	644	—		—	644
	5,922	3,494		—	9,416
Non-current liabilities					
Credit facility	—	7,963	3e)	432	8,395
Other long-term liabilities	388	300		—	688
Post-employment benefit obligations	7,026	—		—	7,026
Decommissioning provision	2,618	29		—	2,647
Deferred income taxes	363	—	3d)	8,755	9,118
Total liabilities	16,317	11,786		9,187	37,290
Equity					
Share capital	79,368	39,454	3f)	(39,454)	79,368
Purchase price allocation	—	—	3f)	35,643	35,643
Contributed surplus	7,593	12,876	3f)	(12,876)	7,593
Accumulated other comprehensive income	230	372	3f)	(372)	230
Retained earnings (deficit)	359	(55,484)	3f)	52,490	(2,635)
	87,550	(2,782)		35,431	120,799
Total liabilities and equity	$103,867	$ 9,004		$ 44,618	$157,489

U.S. Silver & Gold Inc.
Pro Forma Consolidated Statement of Loss
For the 3 months ended March 31, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars unless otherwise stated)

	U.S. Silver Corporation	RX Gold & Silver Inc.	Notes	Pro forma Adjustments	Pro forma Consolidated
Revenue	$ 22,992	—		—	$ 22,992
Cost of sales	(16,366)	—		—	(16,366)
Gross profit	6,626	—		—	6,626
General and administration	(1,478)	(846)		—	(2,324)
Exploration costs	(1,207)	(3,810)		—	(5,017)
Sales and marketing	(92)	(116)		—	(208)
Foreign exchange gain	(7)	—		—	(7)
Income (loss) before finance costs and income taxes	3,842	(4,772)		—	(930)
Finance costs	(8)	(100)		—	(108)
Interest income	26	70		—	96
Net finance costs	18	(30)		—	(12)
Income (loss) before income taxes	3,860	(4,802)		—	(942)
Current income tax expense	(644)	—		—	(644)
Deferred income tax (expense) recovery	(363)	(10)		—	(373)
Income taxes	(1,007)	(10)		—	(1,017)
Net income (loss) for the period	$ 2,853	$ (4,812)		—	$ (1,959)
Other comprehensive income (loss)					
Cumulative translation adjustment, net of taxes	20	12		—	32
Unrealized loss on available-for-sale financial asset	—	(67)		—	(67)
Other comprehensive income for the period	20	(55)		—	(35)
Comprehensive income (loss) for the period	$ 2,873	$ (4,867)		—	$ (1,994)
Earnings per share					
Basic	0.05	(0.03)		—	(0.03)
Diluted	0.04	(0.03)		—	(0.03)
W.A. number of common shares outstanding					
Basic	61,863,406	167,652,339	4		59,722,587
Diluted	65,506,986	168,502,339	4		62,256,436

U.S. Silver & Gold Inc.
Pro Forma Consolidated Statement of Loss
For the year ended December 31, 2011
(Unaudited)
(Expressed in thousands of U.S. dollars unless otherwise stated)

	U.S. Silver Corporation	RX Gold & Silver Inc.	Notes	Pro forma Adjustments	Pro forma Consolidated
Revenue	$ 93,417	—		—	$ 93,417
Cost of sales	(58,618)	—		—	(58,618)
Gross profit	34,799	—		—	34,799
General and administration	(5,168)	(5,766)		—	(10,934)
Exploration costs	(3,836)	(27,872)		—	(31,708)
Sales and marketing	(292)	(694)		—	(986)
Proxy expense	—	(1,400)		—	(1,400)
Loss on derivatives	(4,277)	—		—	(4,277)
Gain on sale of assets	23	—		—	23
Foreign exchange gain	35	—		—	35
Income (loss) before finance costs and income taxes	21,284	(35,732)		—	(14,448)
Finance costs	(58)	(66)		—	(124)
Interest income	74	372		—	446
Net finance costs	16	306		—	322
Income (loss) before income taxes	21,300	(35,426)		—	(14,126)
Current income tax expense	(2,576)	—			(2,576)
Deferred income tax (expense) recovery	(6,371)	31		—	(6,340)
Income taxes	(8,947)	31		—	(8,916)
Net income (loss) for the year	12,353	(35,395)		—	(23,042)
Other comprehensive income (loss)					
Actuarial losses on post-employment benefit obligations	(2,287)	—		—	(2,287)
Unrealized gain on available-for-sale financial asset	—	207		—	207
Cumulative translation adjustment, net of taxes	111	(131)		—	(20)
Other comprehensive loss for the year	(2,176)	76		—	(2,100)
Comprehensive income (loss) for the year	$ 10,177	$ (35,319)		—	$ (25,142)
Earnings per share					
Basic	0.21	(0.22)			(0.40)
Diluted	0.19	(0.22)			(0.40)
W.A. number of common shares outstanding					
Basic	59,462,121	162,945,293	4		57,600,658
Diluted	64,179,717	165,201,589	4		61,007,383

1. Basis of presentation

The accompanying unaudited pro-forma consolidated financial statements of U.S. Silver & Gold Inc. ("U.S. Silver & Gold", or "the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") from information derived from the financial statements of U.S. Silver Corporation ("U.S. Silver") and the financial statements of RX Gold & Silver Inc. ("RX Gold") using the same accounting policies as described in U.S. Silver's audited consolidated financial statements for the year ended December 31, 2011. In preparing the unaudited pro forma consolidated financial information management reviewed to identify any accounting policy differences between U.S. Silver and RX Gold where the impact was potentially material and could be reasonably estimated. Upon review, no material accounting policy differences were noted. Accounting policy differences may be identified after completion and integration of the acquisition. The unaudited proforma consolidated financial statements have been prepared for inclusion in an Information Circular dated July 9, 2012. U.S. Silver and RX Gold have agreed to create U.S. Silver & Gold that will acquire all of the issued and outstanding shares of U.S. Silver and RX Gold in an agreement signed on June 7, 2012 ("the Agreement"). Under the terms of the Agreement, each outstanding U.S. Silver common share would be exchanged for 0.67 of a common share of U.S. Silver & Gold, and each outstanding RX Gold common share would be exchanged for 0.109 of a common share of U.S. Silver & Gold. In addition, each outstanding option of U.S. Silver and RX Gold shall be exchanged for options of U.S. Silver & Gold that will entitle the holder to receive, upon the exercise thereof, U.S. Silver & Gold shares based upon the above exchange ratio and the outstanding warrants of U.S. Silver and RX Gold will be exercisable for, pursuant to the terms thereof, U.S. Silver & Gold shares based upon the above exchange ratio.

The Agreement is subject to acceptance by U.S. Silver's and RX Gold's shareholders and certain securities regulatory approvals. In the opinion of management, the pro-forma consolidated financial statements include all adjustments necessary for fair presentation of the transactions as described in Note 3.

The unaudited pro forma consolidated financial statements have been compiled from and include:

a) An unaudited pro forma consolidated balance sheet as at March 31, 2012 combining:
    i. the unaudited interim consolidated statements of financial position of U.S. Silver as at March 31, 2012; and
    ii. the unaudited interim consolidated statements of financial position of RX Gold as at March 31, 2012.

b) An unaudited pro forma consolidated statement of operations for the three months ended March 31, 2012 combining:
    i. the unaudited interim consolidated statement of operations of U.S. Silver for the three months ended March 31, 2012; and
    ii. the unaudited interim consolidated statement of operations of RX Gold for the three months ended March 31, 2012.

c) An unaudited pro forma consolidated statement of operations for the year ended December 31, 2011 combining:
    i. the audited consolidated statement of operations of U.S. Silver for the year ended December 31, 2011; and
    ii. the unaudited consolidated statement of operations of RX Gold for the year ended December 31, 2011, by adding the results of RX Gold for the six months ended December 31, 2011 to the results of RX Gold for the year ended June 30, 2011 and then deducting the results of RX Gold for the six months ended December 31, 2010.

(Expressed in thousands of U.S. dollars unless otherwise stated)

The unaudited pro forma consolidated balance sheet as at March 31, 2012 has been prepared as if the transaction described in Note 3 had occurred on March 31, 2012. The unaudited pro forma consolidated statements of operations for the three months ended March 31, 2012 have been prepared as if the transaction described in Note 3 had occurred on January 1, 2012 and for the year ended December 31, 2011 have been prepared as if the transaction described in Note 3 had occurred on January 1, 2011.

It is management's opinion that these unaudited pro forma consolidated financial statements present in all material respects, the transactions, assumptions and adjustments described in Notes 3 and 4, in accordance with IFRS. The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of U.S. Silver & Gold Inc. which would have actually resulted had the transaction been effected on the dates indicated. Actual amounts recorded once the transaction is completed are likely to differ from those recorded in the unaudited pro forma consolidated financial statements. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transaction have been excluded from the unaudited pro forma consolidated financial statements. Further, the unaudited pro forma consolidated financial statements are not necessarily indicative of the results of operations that may be obtained in the future.

These unaudited pro forma consolidated financial statements should be read in conjunction with the historical consolidated financial statements and notes of U.S. Silver and RX Gold referred to above.

2. Business combination

U.S. Silver has not yet determined the fair value of all of the identifiable assets and liabilities acquired. Therefore, the excess of purchase consideration over the book values of RX Gold's assets and liabilities has been included in goodwill. The increase in deferred income taxes is a result of the tax effect on the adjustment from carrying value to fair value of the mining interests. U.S. Silver is currently undergoing a process whereby the fair value of all identifiable assets and liabilities acquired as well as any deferred income taxes arising upon the acquisition will be determined. The closing share price of U.S. Silver shares on June 27, 2012 has been used to determine the value of the consideration paid. U.S. Silver held no shares of RX Gold as at March 31, 2012. This transaction has been accounted for as a business combination.

The consideration paid is calculated on the following assumptions:

RX Gold Shares Outstanding June 27, 2012	168,974,816
Implicit share exchange ratio	6.147
US Silver shares to be exchanged for RX Gold	27,488,989
US Silver share price on June 27, 2012 (C$)	1.33
CDN/USD exchange rate, June 27, 2012	0.9749
Total Consideration	$ 35,642,691

(Expressed in thousands of U.S. dollars unless otherwise stated)

The following summarizes the preliminary allocation of the purchase price to identifiable assets and goodwill;

Net assets acquired	
Cash	$ 1,437,232
Trade receivables	1,657,905
Prepaid	115,743
Inventory	9,672,661
Long-term investment of Argentium Resources	1,840,019
Mining assets	29,184,815
Goodwill	8,755,444
Property, plant and equipment	3,911,089
Reclamation bonds	41,806
Deferred income taxes	(8,755,444)
Trade payables	(3,494,284)
Credit facility	(8,395,010)
Mortgage payable	(300,000)
Decommissioning provision	(29,285)
	$35,642,691

3. Pro forma assumptions and adjustments

Pro forma adjustments to consolidated balance sheet

The unaudited pro forma consolidated balance sheet reflects the following adjustments as if the transaction with RX Gold had occurred on March 31, 2012:

a) A reduction of cash of approximately $3.0 million to record transaction costs.

b) An increase in inventory of $9.7 million representing the net realizable value of concentrate inventory held at March 31, 2012.

c) The investment in Argentium Resources Inc. consists of an equity interest and a promissory note. The investment has been included at the fair market value as at March 31, 2012 though the equity interest has decreased after March 31, 2012 causing a loss of $220,000 as of July 4, 2012.

d) An increase of $29.2 million in property, plant and equipment represents an estimate of the fair value of the mining assets acquired. Goodwill and deferred income taxes of $8.8 million is the estimated tax effect of the mining assets acquired assuming an effective tax rate of 30%.

e) An increase in the carrying value of the credit facility of $0.4 million representing fair market value as at March 31, 2012. As at July 6, 2012, RX Gold has reduced the principal amount owing under the facility to approximately $7.9 million.

f) To record the elimination of RX Gold share capital, contributed surplus, accumulated other comprehensive income and retained earnings as a result of the acquisition of RX Gold as described in Note 2.

4. Pro forma earnings per share

The weighted average shares outstanding have been adjusted to reflect the additional shares resulting from transactions described in Notes 2 and 3 effective January 1, 2012 and January 1, 2011, respectively. The

(Expressed in thousands of U.S. dollars unless otherwise stated)

post-acquisition amount of shares outstanding are outlined in the table below and is calculated where each U.S. Silver common share would be exchanged for 0.67 of a common share of U.S. Silver & Gold, and each outstanding RX Gold common share would be exchanged for 0.109 of a common share of U.S. Silver & Gold. In addition, each outstanding option of U.S. Silver and RX Gold shall be exchanged for options of U.S. Silver & Gold that will entitle the holder to receive, upon the exercise thereof, U.S. Silver & Gold shares based upon the above exchange ratio and the outstanding warrants of U.S. Silver and RX Gold will be exercisable for, pursuant to the terms thereof, U.S. Silver & Gold Shares based upon the above exchange ratio.

	March 31, 2012		December 31, 2011	
	U.S. Silver Corporation	RX Gold & Silver Inc.	U.S. Silver Corporation	RX Gold & Silver Inc.
W.A. number of common shares outstanding				
Basic	41,448,482	18,274,105	39,839,621	17,761,037
Diluted	43,889,681	18,366,755	43,000,410	18,006,973

SCHEDULE II
AUDITED STATEMENT OF FINANCIAL POSITION OF THE COMBINED COMPANY

July 5, 2012

Independent Auditor's Report

To the Directors of
U.S. Silver & Gold Inc.

We have audited the accompanying financial statement of U.S. Silver & Gold Inc., which comprise the statement of financial position as at June 6, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information (together the financial statement).

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of the financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of U.S. Silver & Gold Inc. as at June 6, 2012 in accordance with IFRS.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP, Chartered Accountants
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U.S. Silver & Gold Inc.
Statement of Financial Position
As at June 6, 2012

(Expressed in Canadian dollars)

ASSETS	
Current Assets:	
Cash	$1
Total Assets	$1
SHAREHOLDERS' EQUITY	
Shareholder's equity:	
Share capital (note 3)	$1
Total Shareholders' Equity	$1

Approved on behalf of the Board of Directors:

(signed) Darren Blasutti
Darren Blasutti
Director

The accompanying notes are an integral part of these financial statements

U.S. Silver & Gold Inc.
Notes to the financial statements
As at June 6, 2012

(Expressed in Canadian dollars)

1. **Formation of the Company**

U.S. Silver & Gold Inc. (the "Combined Company") was incorporated under the *Business Corporations Act* (Ontario) on June 6, 2012. The Combined Company was incorporated for the purpose of acquiring all of the issued and outstanding shares of U.S. Silver Corporation ("U.S. Silver") and RX Gold & Silver Inc. ("RX Gold"). The Combined Company is domiciled in Canada and its registered office is 145 King Street West, Suite 1220, Toronto, Ontario M5H 1J8.

2. **Basis of presentation**

This statement of financial position has been prepared in accordance with International Financial Reporting Standards ("IFRS") relevant to preparing such a financial statements in effect as of June 6, 2012 and is presented in Canadian dollars, the Combined Company's functional currency, on a historical cost basis.

This financial statement was authorized for issue by the Board of Directors on July 5, 2012.

3. **Share Capital**

Authorized: Unlimited number of common shares

Issued: 1 common share $1

4. **Subsequent Event**

Under the combination agreement (the "Combination Agreement") entered into between U.S. Silver, RX Gold and U.S. Silver & Gold Inc., and pursuant to the proposed arrangements of U.S. Silver and RX Gold (together the "Arrangements"), U.S. Silver shareholders will receive, for each U.S. Silver share that they hold, 0.67 of a common share of the Combined Company (each whole share, a "Combined Company Share") and RX Gold shareholders will receive, for each RX Gold share that they hold, 0.109 of a common share of the Combined Company. Immediately following completion of the Arrangements and, as contemplated by the Combination Agreement, former U.S. Silver shareholders are expected to hold approximately 70% of the approximately 60 million Combined Company Shares that will be outstanding, while the former RX Gold shareholders will hold the remaining approximately 30% of the Combined Company Shares. Following the Arrangements, RX Gold and U.S. Silver will be wholly-owned subsidiaries of the Combined Company. Options to purchase U.S. Silver shares and options to purchase RX Gold shares will be exchanged for options to purchase Combined Company Shares and warrants to purchase U.S. Silver shares and warrants to purchase RX Gold shares will become exercisable for Combined Company Shares, in each case based on the exchange ratio of 0.67 of a Combined Company Share for each U.S. Silver share and 0.109 of a Combined Company Share for each RX Gold share.

The transaction will be completed by way of a statutory plan of arrangement of U.S. Silver under the *Canada Business Corporation Acts* and a statutory plan of arrangement of RX Gold under the *Business Corporations Act* (Ontario). Each of the Arrangements is subject to court approval and must be approved by the shareholders of U.S. Silver and RX Gold, respectively, at the respective special meeting expected to be held on August 7, 2012.

SCHEDULE III
UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF RX GOLD

RX Gold & Silver Inc.

(Formerly RX Exploration Inc.)

Unaudited Interim Consolidated Financial Statements

(All figures in U.S. dollars, unless otherwise stated)

For the Three and Nine Month Periods Ended March 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of RX Gold & Silver Inc. (formerly RX Exploration Inc.) are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) Darren Blasutti, CEO
Darren Blasutti

(signed) Warren Varga, CFO
Warren Varga

RX Gold & Silver Inc.
(Formerly RX Exploration Inc.)
Unaudited Interim Consolidated Statements of Financial Position
(All figures in U.S. dollars, unless otherwise stated)

As at	March 31, 2012	June 30, 2011	July 1, 2010
		(Note 3)	(Note 3)
Assets			
Current			
Cash	**$ 1,437,232**	$ 869,319	$ 1,594,618
Other financial assets *(Note 5)*	**—**	7,356,096	2,817,900
Trade and other receivables *(Note 8)*	**1,657,905**	138,522	338,101
Due from agents	**—**	—	281,790
Prepaid expenses and sundry assets	**115,743**	382,449	271,733
	3,210,880	8,746,386	5,304,142
Long-term investments in Argentium Resources Inc. *(Note 7)*	**1,840,019**	1,520,106	—
Plant and equipment *(Notes 10 and 11)*	**3,911,089**	2,020,469	687,350
Reclamation bonds *(Note 9)*	**41,806**	30,363	14,985
	$ 9,003,794	$ 12,317,324	$ 6,006,477
Liabilities			
Current			
Trade and other payables *(Note 12)*	**$ 3,494,284**	$ 3,087,190	$ 1,110,958
	3,494,284	3,087,190	1,110,958
Credit facility *(Note 13)*	**7,962,559**	—	—
Mortgage payable *(Note 10)*	**300,000**	—	—
Restoration liabilities *(Note 9)*	**29,285**	30,363	14,985
	11,786,128	3,117,553	1,125,943
Shareholders' Equity			
Capital stock *(Note 14)*	**39,453,608**	36,494,777	14,410,560
Shares to be issued	**—**	—	273,511
Reserve for share-based payments *(Note 15)*	**4,908,190**	2,327,838	2,373,840
Reserve for warrants *(Note 16)*	**7,968,319**	7,429,281	10,858,874
Accumulated other comprehensive income	**371,795**	592,928	—
Accumulated deficit	**(55,484,246)**	(37,645,053)	(23,036,251)
	(2,782,334)	9,199,771	4,880,534
	$ 9,003,794	$ 12,317,324	$ 6,006,477

Nature of operations *(Note 1)*
Exploration and evaluation expenditures *(Note 6)*
Contingencies *(Note 21)*
Subsequent events *(Note 22)*

Approved on behalf of the Board:

(signed) Darren Blasutti
Director

(signed) Paul Parisotto
Director

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

RX Gold & Silver Inc.
(Formerly RX Exploration Inc.)
Unaudited Interim Consolidated Statements of Loss
(All figures in U.S. dollars, unless otherwise stated)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011 (Note 3)	**2012**	2011 (Note 3)
Administrative expenses				
Office and general *(Note 17)*	**$ 530,605**	$ 361,101	**$ 1,582,010**	$ 1,054,713
Professional and consulting fees *(Note 17)*	**431,132**	289,868	**1,229,349**	975,258
Share-based payments *(Note 15)*	**—**	—	**2,955,502**	—
Proxy costs	**—**	—	**179,564**	—
Exploration and evaluation expenditures *(Note 6)*	**10,408,775**	5,301,192	**27,372,547**	12,496,030
Settlement revenues	**(6,598,995)**	(1,294,463)	**(15,399,706)**	(7,624,405)
Accretion of transactions costs *(Note 13)*	**100,291**	—	**166,327**	—
	(4,871,808)	(4,657,698)	**(18,085,593)**	(6,901,596)
Investment income	**70,434**	43,955	**225,303**	71,668
Deferred tax recovery (expense)	**(10,131)**	—	**21,097**	—
Net loss	**$ (4,811,505)**	$ (4,613,743)	**$ (17,839,193)**	$ (6,829,928)
Net loss per share	**$ (0.03)**	$ (0.03)	**$ (0.11)**	$ (0.05)
Weighted average number of shares outstanding - basic and diluted	**167,652,339**	159,114,216	**167,173,498**	137,307,578

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

RX Gold & Silver Inc.
(Formerly RX Exploration Inc.)
Unaudited Interim Consolidated Statements of Comprehensive Loss
(All figures in U.S. dollars, unless otherwise stated)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	**2011**	**2012**	**2011**
		(Note 3)		(Note 3)
Net loss	**$(4,811,505)**	$(4,613,743)	**$(17,839,193)**	$(6,829,928)
Other comprehensive loss (income):				
Unrealized (loss) gain on foreign currency translation	**12,210**	371,172	**(360,937)**	478,990
Unrealized gain (loss) on available-for-sale financial assets, net of deferred income tax (expense) recovery	**(67,406)**	—	**139,804**	—
	(55,196)	371,172	**(221,133)**	478,990
Total comprehensive loss	**$(4,866,701)**	$(4,242,571)	**$(18,060,326)**	$(6,350,938)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

RX Gold & Silver Inc.
(Formerly RX Exploration Inc.)
Unaudited Interim Consolidated Statements of Changes in Equity
(All figures in U.S. dollars, unless otherwise stated)

	Share Capital		Reserves							
	Number of Shares	Amount	Number of Options	Share-based Payments	Number of Warrants	Warrants	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shares to be Issued	Total
Balance at July 1, 2010 (Note 3)	**111,016,331**	**$14,410,560**	**8,170,000**	**$2,373,840**	**75,657,661**	**$10,858,874**	**$ —**	**$(23,036,251)**	**$ 273,511**	**$ 4,880,534**
Exercise of warrants	48,276,274	21,942,640	—	—	(48,276,274)	(3,435,747)	—	—	—	18,506,893
Exercise of share-based payments	175,000	99,099	(175,000)	(39,811)	—	—	—	—	—	59,288
Shares issued for warrants exercised in prior period	375,000	273,511	—	—	—	—	—	—	(273,511)	—
Expired warrants	—	—	—	—	(7,927,500)	—	—	—	—	—
Shares issued for mineral property	200,000	131,333	—	—	—	—	—	—	—	131,333
Expired stock options	—	—	(200,000)	—	—	—	—	—	—	—
Share issue cost	—	(419,086)	—	—	—	—	—	—	—	(419,086)
Total other comprehensive income for the period	—	—	—	—	—	—	478,990	—	—	478,990
Net loss for the period	—	—	—	—	—	—	—	(6,829,928)	—	(6,829,928)
Balance at March 31, 2011 *(Note 3)*	160,042,605	$36,438,057	7,795,000	$2,334,029	19,453,887	$ 7,423,127	$478,990	$(29,866,179)	$ —	$16,808,024

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

RX Gold & Silver Inc.
(Formerly RX Exploration Inc.)
Unaudited Interim Consolidated Statements of Changes in Equity (continued)
(All figures in U.S. dollars, unless otherwise stated)

	Share Capital		Reserves							
	Number of Shares	Amount	Number of Options	Share-based Payments	Number of Warrants	Warrants	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shares to be Issued	Total
Balance at July 1, 2011	**160,699,230**	**$36,494,777**	**7,345,000**	**$2,327,838**	**6,847,262**	**$7,429,281**	**$ 592,928**	**$(37,645,053)**	**—**	**$ 9,199,771**
Private placement of units *(Note 14(a))*	5,000,000	2,406,540	—	—	—	—	—	—	—	2,406,540
Fair value attributed to warrants issued *(Note 14(a))*	—	(740,304)	—	—	5,000,000	740,304	—	—	—	—
Exercise of share-based payments *(Note 14(b))*	2,151,000	912,906	(2,151,000)	(375,150)	—	—	—	—	—	537,756
Exercise of warrants *(Note 14(c))*	852,253	396,551	—	—	(852,253)	(201,266)	—	—	—	195,285
Share-based payments	—	—	8,400,000	2,955,502	—	—	—	—	—	2,955,502
Shares issue cost	—	(16,862)	—	—	—	—	—	—	—	(16,862)
Expired stock options	—	—	(3,459,000)	—	—	—	—	—	—	—
Expired warrants	—	—	—	—	(125,875)	—	—	—	—	—
Total other comprehensive loss for the period	—	—	—	—	—	—	(221,133)	—	—	(221,133)
Net loss for the period	—	—	—	—	—	—	—	(17,839,193)	—	(17,839,193)
Balance at March 31, 2012	**168,702,483**	**$39,453,608**	**10,135,000**	**$4,908,190**	**10,869,134**	**$7,968,319**	**$ 371,795**	**$(55,484,246)**	**$—**	**$ (2,782,334)**

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

RX Gold & Silver Inc.
(Formerly RX Exploration Inc.)
Unaudited Interim Consolidated Statements of Cash Flows
(All figures in U.S. dollars, unless otherwise stated)

Nine month periods ended March 31,	2012	2011
OPERATING ACTIVITIES		
Net loss	**$(17,839,193)**	$ (6,829,928)
Adjustments to reconcile net loss to cash flow from operating activities:		
Non-cash items:		
Unrealized (loss) gain on foreign currency translation	**(317,933)**	476,257
Recovery of exploration and evaluation expenditures *(Note 7)*	**—**	(1,365,022)
Share-based payments *(Note 15)*	**2,955,502**	—
Depreciation	**407,202**	121,773
Deferred tax recovery	**(21,097)**	—
Accretion of transaction costs	**166,327**	—
Accretion of promissory note receivable	**(209,006)**	—
Accrued interest on credit facility	**150,872**	—
Net change in non-cash working capital items:		
Trade and other receivables	**(1,519,383)**	492,128
Prepaid expenses and sundry assets	**266,706**	200,662
Reclamation bonds	**(11,443)**	(13,449)
Trade and other payables	**256,222**	95,492
Cash Flow Used in Operating Activities	**(15,715,224)**	(6,822,087)
INVESTING ACTIVITIES		
Addition to other financial assets	**—**	(10,697,068)
Redemption of other financial assets	**7,356,096**	—
Acquisition of plant and equipment	**(1,991,910)**	(449,925)
Cash Flow From Investing Activities	**5,364,186**	(11,146,933)
FINANCING ACTIVITIES		
Increase of credit facility, net of transaction costs	**7,796,232**	—
Issuance of capital stock, net of issue costs	**3,122,719**	18,278,428
Cash Flow From Financing Activities	**10,918,951**	18,278,428
Net increase in cash	**567,913**	309,348
Cash, beginning of period	**869,319**	1,594,618
Cash, end of period	**$ 1,437,232**	$ 1,903,966

Amounts paid for interest are included in cash flows from operating activities in the unaudited interim consolidated statements of cash flows.

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

1. NATURE OF OPERATIONS

RX Gold & Silver Inc. (formerly RX Exploration Inc.) (the "Company" or "RX") was incorporated November 13, 1981 under the Business Corporations Act (Ontario). The Company is an exploration company engaged in the acquisition, exploration, evaluation and development of precious metals mineral properties in North America. Currently, the Company is transitioning to production at its 100% owned Drumlummon mine in Montana. The Company's strategic objective is to become a gold and silver producer through development of its own projects and consolidation of complementary projects. Currently, the Company is continuing to explore its portfolio of patented and unpatented mining claims, complete a technical report, and evaluate commercial production at the Drumlummon mine. The Company released its initial National Instrument 43-101 report on April 10, 2012. At the Company's Annual and Special Meeting held on January 12, 2012, shareholders approved the name change of the Company from RX Exploration Inc. to RX Gold & Silver Inc. The Company's registered and head office is located at 145 King Street West, Suite 1220, Toronto, Ontario, Canada M5H 1J8.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 *'Interim Financial* Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of July 3, 2012, the date the Board of Directors approved these interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending June 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These condensed interim consolidated financial statements are the Company's third consolidated financial statements prepared in accordance with IFRS. Previously, the Company's most recent annual consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These interim consolidated financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements with consideration to the IFRS transition disclosures included in Note 3. The Company also presents its accounting policies in accordance with IFRS and the additional disclosures required under IFRS in the following notes to the unaudited interim consolidated financial statements, which also highlight the changes from the Company's 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP.

2.2 Basis of presentation

The interim consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS and have not been audited.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year

2. BASIS OF PREPARATION (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

beginning on or after January 1, 2013. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these unaudited interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods:

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 27 *'Separate Financial Statements*'- effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 *'Investments in Associates and Joint Ventures'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IAS 1 *'Presentation of Financial Statements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 '*Employee Benefits*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides a number of amendments to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in other comprehensive income. The standard also includes amendments related to termination benefits as well as enhanced disclosures.

2. BASIS OF PREPARATION (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- IFRIC 20 '*Stripping Costs in the Production Phase of a Surface Mine'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The new interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. It considers when and how to account separately for benefits arising from the stripping activity and how to measure these benefits both initially and subsequently. The benefits include usable ore that can be used to product inventory and improve access to further quantities of material that will be mined in future periods. It prescribes that the costs of stripping activity be accounted for in accordance with the principles of IAS 2 Inventories to the extent that the benefit from the stripping activity is realized in the form of inventory produced. On the other hand, the costs of stripping activity which provides a benefit in the form of improved access to ore is recognized as a non-current 'stripping activity asset' when specified criteria are met.

Management anticipates that the above standards will be adopted in the Company's financial statements for the period beginning July 1, 2013 or later, and has not yet considered the impact of the adoption of these standards.

2.4 Change in presentation currency

Effective July 1, 2010, the Company changed its presentation currency to the United States dollar. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with those of other publicly traded businesses in the gold and silver mining industry. Prior to July 1, 2010, the Company presented its consolidated statements of financial position and related consolidated statements of loss and deficit, and cash flows in Canadian dollars. The translation to the Company's presentation currency has been accounted for in accordance with IAS 21 - *The Effects of Changes in Foreign Exchange Rates*. Income and expenses have been translated at the average exchange rate for each period, assets and liabilities have been translated at the closing exchange rate at each balance sheet date and equity was first translated at the closing exchange rate on July 1, 2010 (the date of transition to IFRS) and then adjusted for the average historical rate of accumulation since that period. The effects of this change have been applied retrospectively.

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY

3.1 IFRS transitional exemptions applied

The Company has adopted IFRS on July 1, 2011 with a transition date of July 1, 2010 (the "Transition Date"). Under IFRS 1 *'First time Adoption of International Financial Reporting Standards'*, the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to accumulated deficit unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations,* prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arise on adoption of IFRS;

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.1 IFRS transitional exemptions applied (continued)

- to determine the applicability of IFRIC 4 – determining whether an arrangement contains a lease. This IFRIC has not been applied retrospectively. The Company made an assessment as to whether an arrangement, existing at the transition date, contains a lease on the basis of the facts and circumstances existing at that date based on the exemption available under IFRS 1. The assessment was made in accordance with the requirements of IFRIC 4. The Company did not identify any arrangements containing a lease on the transition date; and
- to apply transitional provisions in IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, prospectively from the transition date. The Company has taken advantage of this election.

There has been no change in accounting policies or change in the use of IFRS 1 exemptions in the nine months ended March 31, 2012.

3.2 Reconciliation of assets, liabilities and equity

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, and total comprehensive loss of the Company from those reported under Canadian GAAP and in Canadian dollars:

(All figures in U.S. dollars, unless otherwise stated)

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

	As at July 1, 2010			
	Canadian GAAP	Effect of change in transition to IFRS	Effect of change in presentation currency (Note 2)	IFRS
	Cdn $	Cdn $	U.S. $	U.S. $
Assets				
Current				
Cash	$ 1,697,666	$ —	$ (103,048)	$ 1,594,618
Other financial assets	3,000,000	—	(182,100)	2,817,900
Trade and other receivables	359,950	—	(21,849)	338,101
Due from agents	300,000	—	(18,210)	281,790
Prepaid expenses and sundry assets	289,293	—	(17,560)	271,733
	5,646,909	—	(342,767)	5,304,142
Plant and equipment	731,768	—	(44,418)	687,350
Mining claims and deferred exploration costs	14,458,182	(14,458,182)	—	— (a)
Reclamation bonds	15,953	—	(968)	14,985
	$ 20,852,812	$(14,458,182)	$ (388,153)	$ 6,006,477
Liabilities				
Current				
Trade and other payables	$ 1,182,751	$ —	$ (71,793)	$ 1,110,958
Restoration liabilities	15,953	—	(968)	14,985
	1,198,704	—	(72,761)	1,125,943
Shareholders' Equity				
Capital stock	15,341,808	—	(931,248)	14,410,560
Shares to be issued	291,186		(17,675)	273,511
Contributed surplus	3,036,306	(3,036,306)	—	— (b)
Reserve for share-based payments	—	2,527,244	(153,404)	2,373,840(b)
Reserve for warrants	11,051,540	509,062	(701,728)	10,858,874(b)
Accumulated deficit	(10,066,732)	(14,458,182)	1,488,663	(23,036,251)(a)
	19,654,108	(14,458,182)	(315,392)	4,880,534
	$ 20,852,812	$(14,458,182)	$ (388,153)	$ 6,006,477

(All figures in U.S. dollars, unless otherwise stated)

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.2 Reconciliation of assets, liabilities and equity (continued)

	As at March 31, 2011			
	Canadian GAAP	Effect of change in transition to IFRS	Effect of change in presentation currency (Note 2)	IFRS
	Cdn $	Cdn $	U.S. $	U.S. $
Assets				
Current				
Cash	$ 1,846,010	$ —	$ 57,956	$ 1,903,966
Other financial assets	13,103,518	—	411,450	13,514,968
Trade and other receivables	123,873	—	3,890	127,763
Prepaid expenses and sundry assets	72,105	—	(1,034)	71,071
	15,145,506	—	472,262	15,617,768
Long-term investments in Argentium Resources Inc.	1,323,466	—	41,556	1,365,022
Plant and equipment	1,061,338	—	(41,634)	1,019,704
Mining claims and deferred exploration costs	21,055,547	(21,055,547)	—	— (a)
Reclamation bonds	28,012	—	422	28,434
	$ 38,613,869	$(21,055,547)	$ 472,606	$ 18,030,928
Liabilities				
Current				
Trade and other payables	$ 1,169,755	$ —	$ 36,695	$ 1,206,450
Restoration liabilities	15,953	—	501	16,454
	1,185,708	—	37,196	1,222,904
Shareholders' Equity				
Capital stock	37,539,542	—	(1,101,485)	36,438,057
Contributed surplus	3,472,512	(3,472,512)	—	— (b)
Reserve for share-based payments	—	2,487,351	(153,322)	2,334,029(b)
Reserve for warrants	7,012,253	985,161	(574,287)	7,423,127(b)
Accumulated other comprehensive income	—	—	478,990	478,990(b)
Accumulated deficit	(10,596,146)	(21,055,547)	1,785,514	(29,866,179)(b)
	37,428,161	(21,055,547)	435,410	16,808,024
	$ 38,613,869	$(21,055,547)	$ 472,606	$ 18,030,928

(All figures in U.S. dollars, unless otherwise stated)

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.2 Reconciliation of assets, liabilities and equity (continued)

	As at June 30, 2011			
	Canadian GAAP	Effect of change in transition to IFRS	Effect of change in presentation currency (Note 2)	IFRS
	Cdn $	Cdn $	U.S. $	U.S. $
Assets				
Current				
Cash	$ 838,464	$ —	$ 30,855	$ 869,319
Other financial assets	7,095,000	—	261,096	7,356,096
Trade and other receivables	133,605	—	4,917	138,522
Prepaid expenses and sundry assets	368,874	—	13,575	382,449
	8,435,943	—	310,443	8,746,386
Long-term investments in Argentium Resources Inc.	1,466,152	—	53,954	1,520,106
Plant and equipment	2,033,505	—	(13,036)	2,020,469
Mining claims and deferred exploration costs	26,567,040	(26,567,040)	—	— (a)
Reclamation bonds	29,285	—	1,078	30,363
	$ 38,531,925	$(26,567,040)	$ 352,439	$ 12,317,324
Liabilities				
Current				
Trade and other payables	$ 2,977,615	$ —	$ 109,575	$ 3,087,190
Restoration liabilities	29,285	—	1,078	30,363
	3,006,900	—	110,653	3,117,553
Shareholders' Equity				
Capital stock	37,688,220	—	(1,193,443)	36,494,777
Contributed surplus	9,179,290	(9,179,290)	—	— (b)
Reserve for share-based payments	—	2,480,723	(152,885)	2,327,838(b)
Reserve for warrants	1,392,615	6,698,567	(661,901)	7,429,281(b)
Accumulated other comprehensive income	—	—	592,928	592,928
Accumulated deficit	(12,735,100)	(26,567,040)	1,657,087	(37,645,053)(a)
	35,525,025	(26,567,040)	241,786	9,199,771
	$ 38,531,925	$(26,567,040)	$ 352,439	$ 12,317,324

(All figures in U.S. dollars, unless otherwise stated)

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.3 Reconciliation of loss and comprehensive loss

	Three months ended March 31, 2011			
	Canadian GAAP	Effect of change in transition to IFRS	Effect of change in presentation currency (Note 2)	IFRS
	Cdn $	Cdn $	U.S. $	U.S. $
Administrative expenses				
Office and general	$ 333,640	$ —	$ 27,461	$ 361,101
Professional and consulting fees	283,392	—	6,476	289,868
Exploration and evaluation expenditures	—	5,320,454	(19,262)	5,301,192(a)
Settlement revenues	—	(1,278,896)	(15,567)	(1,294,463)(a)
	(617,032)	(4,041,558)	892	(4,657,698)
Investment income	44,138	—	(183)	43,955
Net loss (income)	$(572,894)	$(4,041,558)	$ 709	$(4,613,743)
Net loss (income)	$(572,894)	$(4,041,558)	$ 709	$(4,613,743)
Other comprehensive income:				
Unrealized gain on foreign currency translation	—	—	371,172	371,172
Total comprehensive loss (income)	$(572,894)	$(4,041,558)	$371,881	$(4,242,571)
Basic and diluted net loss (income) per share	$ (0.01)	$ (0.02)	$ 0.00	$ (0.03)

(All figures in U.S. dollars, unless otherwise stated)

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.3 Reconciliation of loss and comprehensive loss (continued)

	Nine months ended March 31, 2011			
	Canadian GAAP	Effect of change in transition to IFRS	Effect of change in presentation currency (Note 2)	IFRS
	Cdn $	Cdn $	U.S. $	U.S. $
Administrative expenses				
Office and general	$ 1,038,860	$ —	$ 15,853	$ 1,054,713
Professional and consulting fees	986,603	—	(11,345)	975,258
Exploration and evaluation expenditures	(1,423,466)	14,384,477	(464,981)	12,496,030(a)
Settlement revenues	—	(7,787,112)	162,707	(7,624,405)(a)
	(601,997)	(6,597,365)	297,766	(6,901,596)
Investment income	72,583	—	(915)	71,668
Net loss (income)	$ (529,414)	$ (6,597,365)	$ 296,851	$ (6,829,928)
Net loss (income)	$ (529,414)	$ (6,597,365)	$ 296,851	$ (6,829,928)(a)
Other comprehensive income:				
Unrealized gain on foreign currency translation	—	—	478,990	478,990
Total comprehensive loss (income)	$ (529,414)	$ (6,597,365)	$ 775,841	$ (6,350,938)
Basic and diluted net loss (income) per share	$ (0.00)	$ (0.05)	$ 0.00	$ (0.05)

(All figures in U.S. dollars, unless otherwise stated)

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.3 Reconciliation of loss and comprehensive loss (continued)

	Year ended June 30, 2011			
	Canadian GAAP	Effect of change in transition to IFRS	Effect of change in presentation currency (Note 2)	IFRS
	Cdn $	Cdn $	U.S. $	U.S. $
Administrative expenses				
Office and general	$ 1,641,718	$ —	$(159,230)	$ 1,482,488
Professional and consulting fees	1,423,078	—	(996)	1,422,082
Exploration and evaluation expenditures	(1,423,466)	20,016,941	(165,481)	18,427,994(a)
Settlement revenues	—	(7,908,083)	158,002	(7,750,081)(a)
Proxy costs	1,217,466	—	(852)	1,216,614
Share-based payments	54,449	—	(38)	54,411
	(2,913,245)	(12,108,858)	168,595	(14,853,508)
Investment income	244,877	—	(171)	244,706
Net loss (income)	$(2,668,368)	$(12,108,858)	$ 168,424	$(14,608,802)
Net loss (income)	$(2,668,368)	$(12,108,858)	$ 168,424	$(14,608,802)(a)
Other comprehensive income:				
Unrealized gain on foreign currency translation	—	—	592,928	592,928
Total comprehensive loss (income)	$(2,668,368)	$(12,108,858)	$ 761,352	$(14,015,874)
Basic and diluted net loss (income) per share	$ (0.02)	$ (0.08)	$ 0.00	$ (0.10)

3.3 Notes to reconciliations

a) Acquisition, exploration and evaluation expenditures

Under Canadian GAAP – Prior to June 30, 2011, the Company used the policy to defer the cost of mineral properties and their related exploration costs until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted or revenue from the sale of gold and silver equivalent, extracted during the Company's exploration and evaluation activities reduced the cost of the related property and any excess over cost is applied to income.

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.3 Notes to reconciliations (continued)

Under IFRS – Acquisition, exploration and evaluation expenditures for each property are expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale. Consequential revenue from the sale of gold and silver equivalent, extracted during the Company's exploration and evaluation activities, is recognized in the consolidated statements of loss on the date the mineral concentrate level is agreed upon by the Company and customer, as this coincides with the transfer of title, the risk of ownership, the determination of the amount due under the terms of settlement contracts the Company has with its customer, and collection is reasonably assured. Accordingly, the following reclassifications adjustments have been recorded to reflect this difference:

July 1, 2010

Exploration and evaluation expenditures of CDN$14,458,182 have been charged directly to shareholders' deficit.

March 31, 2011

Exploration and evaluation expenditures of CDN$21,055,547 have been expensed as follows:

- CDN$14,458,182 charged directly to shareholder's deficit, representing the July 1, 2010 transitional adjustment as noted above; and
- CDN$14,384,477 to exploration and evaluation expenditures, partially offset by a charge of CDN$(7,787,112) to settlement revenues in the consolidated statements of loss.

June 30, 2011

Exploration and evaluation expenditures of CDN$26,567,040 have been expensed as follows:

- CDN$14,458,182 charged directly to shareholder's deficit, representing the July 1, 2010 transitional adjustment as noted above; and
- CDN$20,016,941 to exploration and evaluation expenditures, partially offset by a charge of CDN$(7,908,083) to settlement revenues in the consolidated statements of loss.

b) Reserves

Under Canadian GAAP – Prior to 2011, the Company recorded the fair value of share-based payments and warrants issued to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the fair value that relates to "Reserves for warrants", "Reserves for share-based payments" and any other component of equity. Accordingly, the following reclassifications adjustments have been recorded to reflect this difference:

July 1, 2010

Contributed surplus of CDN$3,036,306 was reclassified to reserve for share-based payments and reserve for warrants in the amounts of CDN$2,527,244 and CDN$509,062, respectively.

3. FIRST TIME ADOPTION OF IFRS AND CHANGE IN PRESENTATION CURRENCY (continued)

3.3 Notes to reconciliations (continued)

March 31, 2011

Contributed surplus of CDN$3,472,512 was reclassified to reserve for share-based payments and reserve for warrants in the amounts of CDN$2,487,351 and CDN$985,161, respectively.

June 30, 2011

Contributed surplus of CDN$9,179,290 was reclassified to reserve for share-based payments and reserve for warrants in the amounts of CDN$2,480,723 and CDN$6,698,567, respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The unaudited interim consolidated financial statements include the financial statements of the Company and its wholly controlled subsidiaries: Drumlummon Gold Corp., Drumlummon Ltd., Bald Butte Ltd. and RX Mining Corp. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A portion of the Company's exploration activities are conducted jointly with others. Expenditures on properties reflect the Company's proportionate interest in mineral properties. The consolidated financial statements include the Company's proportionate share of assets and liabilities in its 50% owned joint venture, Marysville Milling and Mining LLC ("MMM"). Currently, MMM only owns the Placer Claims and does not have any other assets, liabilities, commitments or contingencies.

The results of subsidiaries acquired or disposed of during the period are included in the unaudited interim consolidated statements of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

4.2 Cash

Cash in the unaudited interim consolidated statements of financial position comprises cash at banks and on hand.

4.3 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.4 Mineral properties

All acquisition, exploration and evaluation costs, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Mineral properties (continued)

("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

4.5 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of plant and equipment, less their estimated residual value, using the straight line method or unit-of-production method over the following expected useful lives:

Shop building	9 years
Water plant	9 years
Exploration equipment	5 years
Computer software	3 years
Furniture	3 years

An item of plant and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for plant and equipment, and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

4.6 Decommissioning, restoration and similar liabilities ("ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified or reliably measured, they are measured at fair value of the share-based payment.

Equity-settled transactions

The fair value of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The fair value of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the Vesting Date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the Vesting Date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in the reserve for share-based payments.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

4.8 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the unaudited interim consolidated statements of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Taxation (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the unaudited interim consolidated statements of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the unaudited interim consolidated statements of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the unaudited interim consolidated statements of comprehensive loss.

Deferred income tax assets and liabilities are offset if, and only if, a legally enforceable right exists to off-set current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Settlement revenues

Consequential revenue from the sale of gold and silver equivalent, extracted during the Company's exploration and evaluation activities, is recognized on the date the mineral concentrate level is agreed upon by the Company and customer, as this coincides with the transfer of title, the risk of ownership, the determination of the amount due under the terms of settlement contracts the Company has with its customer, and collection is reasonably assured.

4.10 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and other financial assets are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables (excluding HST receivable), due from agents, sundry assets, promissory note receivable and reclamation bonds are classified as loans-and-receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except when there is objective evidence that the asset is impaired. The Company has classified its common share investments in Argentium Resources Inc. as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

4.11 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, credit facility, and mortgage payable are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the unaudited interim consolidated statements of comprehensive loss. The Company has not classified any financial liabilities as FVTPL.

4.12 Impairment of financial assets

The Company assesses at each date of the unaudited interim consolidated statements of financial position whether a financial asset is impaired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Impairment of financial assets (continued)

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

4.13 Impairment of non-financial assets

At each date of the unaudited interim consolidated statements of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the unaudited interim consolidated statements of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share-based payments and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. During the nine months ended March 31, 2012 and 2011 all the outstanding stock options and warrants were anti-dilutive.

4.15 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4.16 Significant accounting judgments and estimates

The preparation of these unaudited interim consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to provision for restoration liabilities; useful lives of plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing of plant and equipment and the valuation of share-based payments and warrants.

Judgement is required to determine the functional currency of the Company and its subsidiaries (Note 4.17). These judgements are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

4.17 Foreign currency transactions

Functional and presentation currency

Items included in the unaudited interim consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the Functional Currency"). The Functional Currency of RX Gold & Silver Inc., Drumlummon Ltd. and RX Mining Corp. is the Canadian Dollar ("CDN"), and the Functional Currency of Drumlummon Gold Corp. and Marysville Milling and Mining LLC is the U.S. Dollar ("USD"). The unaudited interim consolidated financial statements are presented in U.S. Dollars which is the Company's presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Foreign currency transactions (continued)

Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the unaudited interim consolidated statements of loss.

Transactions and balances in a CDN functional currency are translated into the presentation currency as follows:

- assets and liabilities for each unaudited interim consolidated statement of financial position presented, are translated at the closing rate at the date of that statement;
- equity is translated as the historical average rate of accumulation;
- income and expenses for each unaudited interim consolidated statement of loss presented, are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized into other comprehensive income.

The Company has monetary items that are owed to/from foreign subsidiaries. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the Company's net investment in that foreign operation. Such exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in foreign operations

4.18 Warrants

Warrants issued in a placement of the Company's capital stock involving a unit are valued using the relative fair value method. Under this method net proceeds are allocated to the common shares and warrants based on their relative fair values. The fair value of the common shares is determined with reference to the market closing price of the shares on the date of issuance and the fair value of the warrants are determined using an option pricing model.

5. OTHER FINANCIAL ASSETS

Other financial assets consist of cashable Guaranteed Investment Certificates ("GIC") with a Canadian Chartered Bank. As at March 31, 2012 the balance in the first of two GIC's was $Nil (June 30, 2011 - $7,257,600; July 1, 2010 - $2,817,900) bearing interest at 1.20% per annum, redeemable by November 21, 2011. As at March 31, 2012 the balance in the second of two GIC's was $Nil (June 30, 2011 - $98,496, July 1, 2010 - $Nil) bearing interest at 0.75% per annum, redeemable by December 6, 2011.

6. EXPLORATION AND EVALUATION EXPENDITURES

The Company is a gold and silver exploration company focused on conducting exploration and evaluation techniques in order to transition to commercial production at its 100% owned Drumlummon mine in Montana. As part of the evaluation procedures and techniques, floatation and gravity concentrates are generated which the Company monetizes as an offset to exploration and evaluation expenditures. As at March 31, 2012, the Company

(All figures in U.S. dollars, unless otherwise stated)

6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

had floatation and gravity concentrate from evaluation procedures totaling approximately 175,000 lbs., containing an estimated 1,800 oz. of gold and 44,700 oz. of silver in its warehouse ready to transport to 3rd party refiners or smelters.

The Company had an additional 190,000 lbs. of floatation concentrate containing an estimated 2,200 oz. of gold and 54,000 oz. of silver that were either in transit to or at 3rd party smelters or refiners waiting on processing. Subsequent to March 31, 2012, collections on the above referenced concentrate as of May 22, 2012 were $6,810,600 as payment for approximately 3,460 oz. of gold and 71,450 oz. of silver.

7. LONG-TERM INVESTMENTS IN ARGENTIUM RESOURCES INC.

The Company entered into a settlement agreement dated November 29, 2010 (the "Agreement") with its former private arms' length joint venture partners to settle and restructure their unpatented mining claim holdings in Van Koughnet Township, Ontario. The claims consisted of two properties, the Sill Lake silver-lead prospect and the Goulet River copper prospect. Pursuant to the Agreement, the Sill Lake claims were transferred to Argentium Resources Inc., a private arms' length Canadian company, and the Goulet River claims were transferred to the Company.

The Company was paid the sum of CDN$100,000, received 1,000,000 common shares of Argentium Resources Inc. and was given a non-interest bearing promissory note receivable containing a promise to pay the further sum of CDN$1,901,300 on November 29, 2013, secured by the Sill Lake claims and other assets.

The fair value of the common shares was estimated to be CDN$350,000 at the date of the Agreement. On September 9, 2011, Argentium Resources Inc. listed its common shares on the Canadian National Stock Exchange. As at March 31, 2012, these available-for-sale investments have been measured at their fair value of $511,275 (June 30, 2011 – $362,880). The impact to the unaudited interim consolidated financial statements of this revaluation to market value resulted in an increase of $148,395 (2011 – $nil) to the fair value of the investments with a corresponding increase in accumulated other comprehensive income of $160,901 (2011 – $nil) offset by future income tax recovery of $21,097 (2011 – $nil) that has been included in the current period's net loss.

The Company estimated the fair value of the promissory note receivable using a discounted cash flows analysis. The Company assumed a discount rate of 25% based on the prevailing market rates of interest for similar instruments. The difference between the face value of CDN$1,901,300 and the estimated fair value of CDN$973,466 at the date of the Agreement will be accreted using the effective interest rate method at a rate of 25%.

As a result of the Agreement, the Company recorded a recovery of deferred exploration costs of CDN$1,423,466 in the audited consolidated statements of comprehensive loss for the year ended June 30, 2011.

Long-term investments in Argentium Resources Inc. consist of the following:

	March 31, 2012	June 30, 2011	July 1, 2010
Common shares	**$ 511,275**	$ 362,880	$ —
Promissory note receivable	**1,328,744**	1,157,226	—
	$1,840,019	$1,520,106	$ —

(All figures in U.S. dollars, unless otherwise stated)

8. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from three main sources: trade receivables due from settlement revenues, interest earned but not received on other financial assets, and harmonized services tax ("HST") receivable due from government taxation authorities. These are broken down as follows:

	March 31, 2012	June 30, 2011	July 1, 2010
Trade receivables	**$1,411,105**	$ 85,074	$336,441
GIC interest receivable	**—**	53,448	1,660
HST receivable	**246,800**	—	—
	$1,657,905	$138,522	$338,101

Below is an aged analysis of the Company's trade and other receivables:

	March 31, 2012	June 30, 2011	July 1, 2010
Less than 1 month	**$1,411,105**	$ 53,863	$338,101
1 to 3 months	**246,800**	85,074	—
	$1,657,905	$138,522	$338,101

At March 31, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables ($Nil impairment for June 30, 2011 and July 1, 2010). The credit risk on the trade and other receivables have been further discussed in Note 19.

The Company holds no collateral for any receivable amounts outstanding as at March 31, 2012 ($Nil June 30, 2011 and July 1, 2010).

9. RECLAMATION BONDS

Management has estimated and accrued site restoration costs relating to their exploration programs for their mining claims in Montana. These costs are estimated by management and approved by the Montana Department of Environmental Quality ("MDEQ"). The Company is required to issue reclamation bonds with the MDEQ to cover the estimated site restoration costs. The reclamation bonds will be refunded to the Company once the MDEQ is satisfied with the site restoration work performed. The reclamation bonds equal the restoration liabilities as the bonds approximate the total cost to be incurred by the Company relating to site restoration work.

10. PROPERTY ACQUISITIONS

In November 2011, the Company entered into an agreement to assume an option to purchase 14 unpatented mining claims situated in Lewis and Clark County in the State of Montana and a second, separate, agreement to acquire certain land and buildings located in Montana. Upon execution of these agreements, the Company paid $380,000 to the counterparties and agreed to a mortgage payable for $300,000. The mortgage bears interest at 5% per annum and with interest payable only commencing April 1, 2012, and then quarterly until July 1, 2013, when the principal amount is due. The mortgage is secured by the land and buildings.

The option agreement is subject to future payment of $20,000 on April 20, 2012 and payments of $10,000 on each April 29 from 2013 to 2019. Also, the Company is subject to a two percent (2%) Net Smelter Return Royalty ("NSR") payable quarterly on all minerals removed from the property.

(All figures in U.S. dollars, unless otherwise stated)

11. PLANT AND EQUIPMENT

	Shop Building	Water Plant	Exploration Equipment	Computer Software	Furniture	Total
Cost						
As at July 1, 2010	$ 56,643	$418,676	$ 193,598	$ 18,433	$ —	$ 687,350
Additions	4,628	19,970	1,508,453	25,143	—	1,558,194
As at June 30, 2011	61,271	438,646	1,702,051	43,576	—	2,245,544
Additions	733,446	—	1,349,396	198,331	12,951	2,294,124
As at March 31, 2012	**$794,717**	**$438,646**	**$3,051,447**	**$241,907**	**$12,951**	**$4,539,668**
Accumulated depreciation						
As at July 1, 2010	$ —	$ —	$ —	$ —	$ —	$ —
Depreciation expense	7,167	51,206	151,516	15,186	—	225,075
As at June 30, 2011	7,167	51,206	151,516	15,186	—	225,075
Depreciation expense	5,106	36,554	332,140	27,937	1,767	403,504
As at March 31, 2012	**$ 12,273**	**$ 87,760**	**$ 483,656**	**$ 43,123**	**$ 1,767**	**$ 628,579**
Net book value						
As at July 1, 2010	$ 56,643	$418,676	$ 193,598	$ 18,433	$ —	$ 687,350
As at June 30, 2011	$ 54,104	$387,440	$1,550,535	$ 28,390	$ —	$2,020,469
As at March 31, 2012	**$782,444**	**$350,886**	**$2,567,791**	**$198,784**	**$11,184**	**$3,911,089**

12. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration and evaluation activities, amounts payable for financing activities and payroll liabilities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	March 31, 2012	June 30, 2011	July 1, 2010
Less than 1 month	**$2,876,526**	$2,116,637	$ 761,694
1 to 3 months	**489,049**	970,552	339,319
3 to 12 months	**128,708**	—	9,945
	$3,494,283	$3,087,190	$1,110,958

13. CREDIT FACILITY

On November 8, 2011, the Company entered into a credit facility agreement for a maximum authorized amount of $10,000,000, bearing interest at 8.75% per annum payable interest only on a monthly basis commencing the sixth month after the initial advance of the funds with any amounts outstanding due May 2013. Security is provided by a first charge against all the assets of the Company and certain of its subsidiaries. As at March 31, 2012, the Company had drawn $8,395,010 on the facility and owed interest of $150,872.

Transaction costs in the amount of $598,778 were incurred in negotiating the facility. In accordance with IFRS, the Company netted these transaction costs against the outstanding credit facility payable and accretes the transaction

13. CREDIT FACILITY (continued)

costs into income over the facility's term. Furthermore, the Company is required to meet a number of non-financial covenants under the credit facility agreement. As at March 31, 2012, all the covenants have been met.

14. CAPITAL STOCK

The Company is authorized to issue an unlimited number of common shares without par value.

(a) On July 20, 2011 the Company completed a private placement of 5,000,000 units at a price of CDN$0.456 per unit for gross proceeds of CDN$2,280,000 ($2,406,540). Each unit is comprised of one common share and one common share purchase warrant, and each such warrant entitles the holder thereof to purchase one additional common share at a price of CDN$0.60 for a two-year period beginning on the date that the units were issued. All of the units were subject to a four month hold period that expired November 21, 2011. The New Board subscribed for 3,400,000 of the units issued pursuant to the private placement. The fair value of these warrants was estimated at $740,304 using the Black-Scholes option pricing model with the following assumptions: (a) dividend yield of 0%; (b) expected volatility of 74% based on historical share market price; (c) risk-free interest rate of 1.52%; (d) expected life of 2 years; and (e) current market price of CDN$0.456.

(b) During the nine month period ended March 31, 2012, stock options were exercised into 2,151,000 common shares at exercise prices ranging from CDN$0.15 to CDN$0.32 for gross proceeds of CDN$546,320 ($537,756). The fair value of these options exercised was CDN$346,337 ($375,150).

(c) During the nine month period ended March 31, 2012, warrants were exercised into 852,253 common shares at exercise prices ranging from CDN$0.20 to CDN$0.30 for gross proceeds of CDN$195,186 ($195,285). The fair value of these warrants exercised was CDN$185,574 ($201,266).

(d) On October 25, 2010, the Company issued 200,000 common shares at an estimated fair value of CDN$0.67 per share for a total of CDN$134,000 ($132,428) as an option payment for the Bald Butte Property.

(e) During the year ended June 30, 2011, 475,000 stock options were exercised into common shares at exercise prices ranging from CDN$0.25 to CDN$0.50 for gross proceeds of CDN$170,500 ($168,501). The fair value of these options exercised was CDN$112,390 ($111,133).

(f) During the year ended June 30, 2011, 48,632,899 warrants were exercised into common shares at exercise prices ranging from CDN$0.20 to CDN$0.40 for gross proceeds of CDN$18,598,528 ($18,387,547). The fair value of these warrants exercised was CDN$3,469,419 ($3,429,593). Share issue costs of CDN$429,611 ($449,238) were incurred.

(g) On July 5, 2010, 375,000 shares were issued for warrants that were exercised on June 28, 2010 at the exercise price of CDN$0.40 for gross proceeds of CDN$150,000 ($148,240). The fair value of these warrants exercised was CDN$141,186 ($150,824).

15. RESERVE FOR SHARE-BASED PAYMENTS

The Company has a formal stock option plan (the "Plan"). Under the terms of the Plan, the aggregate number of shares reserved for issuance, together with any other share compensation arrangements, shall not exceed 10% of the Company's issued and outstanding common shares at the time of grant. The maximum number of common shares reserved for issuance to any one participant during any one year period shall not exceed 5% of the total number of common shares issued and outstanding at the time of grant. Options granted pursuant to the Plan will have terms not to exceed five years, and are granted at an option price which will not be less than the fair market price at the time the options are granted. Vesting terms of options granted is at the discretion of the board.

(All figures in U.S. dollars, unless otherwise stated)

15. RESERVE FOR SHARE-BASED PAYMENTS (continued)

The following summarizes the stock option activities:

	9 months ended March 31, 2012		Year ended June 30, 2011	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		CDN$		CDN$
Balance, beginning of period	**7,345,000**	**$0.40**	8,170,000	$0.40
Granted	**8,400,000**	**$0.50**	200,000	$0.53
Exercised	**(2,151,000)**	**$0.25**	(475,000)	$0.36
Expired	**(3,459,000)**	**$0.48**	(550,000)	$0.49
Balance, end of period	**10,135,000**	**$0.48**	7,345,000	$0.40
Exercisable at period end	**10,101,667**	**$0.48**	7,136,667	$0.39

The Company had the following stock options outstanding as of March 31, 2012:

Number of Options	Exercisable	Exercise Price	Expiry Date
		CDN$	
850,000	850,000	$0.32	January 29, 2013
925,000	925,000	$0.50	April 22, 2013
2,400,000	2,400,000	$0.49	July 6, 2013
333,333	333,333	$0.55	September 9, 2013
33,333	33,333	$0.40	December 12, 2013
50,000	16,667	$0.53	April 11, 2014
10,000	10,000	$0.44	January 8, 2013
4,800,000	4,800,000	$0.49	July 6, 2016
666,667	666,667	$0.55	September 9, 2016
66,667	66,667	$0.40	December 12, 2016
10,135,000	**10,101,667**		

During the 9 months ended March 31, 2012:

(a) On July 6, 2011, the Company granted 7,200,000 options to directors, employees and a consultant with an exercise price of CDN$0.49 vesting immediately. One third of the options issued expire in 2 years with the remaining two thirds expiring in 5 years.

The fair value of 2,400,000 of the options granted during the period that expire in two years was estimated at $508,480 using the Black Scholes option pricing model with the following assumptions: (a) expected dividend yield of 0%; (b) expected volatility of 76% based on historical share market price; (c) risk free interest rate of 1.53%; (d) expected life of 2 years; and (e) current market price of CDN$0.49.

The fair value of 4,800,000 of the options granted during the period that expire in five years was estimated at $2,000,964 using the Black Scholes option pricing model with the following assumptions: (a) expected dividend yield of 0%; (b) expected volatility of 115% based on historical share market price; (c) risk free interest rate of 1.53%; (d) expected life of 5 years; and (e) current market price of CDN$0.49.

(b) On September 9, 2011, the Company granted 1,100,000 options to employees and a consultant with an exercise price of $0.55 vesting immediately. One third of the options issued expire in 2 years with the remaining two thirds expiring in 5 years.

15. RESERVE FOR SHARE-BASED PAYMENTS (continued)

The fair value of the 366,667 of the options granted during the period that expire in two years was estimated at $81,184 using the Black Scholes option pricing model with the following assumptions: (a) expected dividend yield of 0%; (b) expected volatility of 72% based on historical share market price; (c) risk free interest rate of 0.98%; (d) expected life of 2 years; and (e) current market price of CDN$0.55.

The fair value of the 733,333 of the options granted during the period that expire in five years was estimated at $332,252 using the Black Scholes option pricing model with the following assumptions: (a) expected dividend yield of 0%; (b) expected volatility of 113% based on historical share market price; (c) risk free interest rate of 0.98%; (d) expected life of 5 years; and (e) current market price of CDN$0.55.

During the 9 months ended March 31, 2012 (continued):

(c) On December 12, 2011, the Company granted 100,000 options to an employee with an exercise price of CDN$0.40 vesting immediately, one-third of the options issued expire in 2 years with the remaining two-thirds expiring in 5 years.

The fair value of the 33,333 options granted during the period that expire in two years was estimated at $4,874 using the Black Scholes option pricing model with the following assumptions: (a) expected dividend yield of 0%; (b) expected volatility of 64% based on historical share market price; (c) risk free interest rate of 0.86%; (d) expected life of 2 years; and (e) current market price of CDN$0.39.

The fair value of the 66,667 options granted during the period that expire in five years was estimated at $17,546 using the Black Scholes option pricing model with the following assumptions: (a) expected dividend yield of 0%; (b) expected volatility of 88% based on historical share market price; (c) risk free interest rate of 1.25%; (d) expected life of 5 years; and (e) current market price of CDN$0.39.

(d) During the nine month period ended March 31, 2012, $10,202 of share-based payments was recognized in connection with options containing vesting provisions issued during the year ended June 30, 2011.

(e) During the nine month period ended March 31, 2012, 3,459,000 stock options expired.

During the year ended June 30, 2011:

(f) During the year, the Company granted 200,000 options to employees and a consultant with an exercise price of CDN$0.53 and vests 1/3 immediately; 1/3 in 12 months and 1/3 in 24 months.

The fair value of each option granted in the year has been estimated at the date of grant or the date when it became measurable using the Black Scholes option pricing model.

The total stock based compensation relating to options granted pursuant to the option plan recognized during the year ended June 30, 2011 was CDN$65,868

The weighted average fair value of the options granted during the year was estimated at CDN$0.34 using the Black Scholes option pricing model with the following assumptions: (a) expected dividend yield of 0%; (b) expected volatility of 95% based on historical share market price; (c) risk free interest rate of 1.89% and; (d) expected life of 3 years.

(All figures in U.S. dollars, unless otherwise stated)

16. RESERVE FOR WARRANTS

The following summarizes warrant activities:

	9 months ended March 31, 2012		Year ended June 30, 2011	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
		CDN$		CDN$
Balance, beginning of period	**6,847,262**	**$0.59**	75,657,661	$0.44
Issued *(Note 14(a))*	**5,000,000**	**$0.46**	—	$ —
Exercised *(Note 14(c))*	**(852,253)**	**$0.23**	(48,632,899)	$0.38
Expired	**(125,875)**	**$0.30**	(20,177,500)	$0.52
Balance, end of period	**10,869,134**	**$0.48**	6,847,262	$0.59

The Company had the following warrants outstanding at March 31, 2012:

Number of Warrants	Exercise Price	Expiry Date
	CDN$	
41,667	$0.30	April 8, 2012
577,467	$0.30	April 27, 2012
5,000,000	$0.70	May 13, 2012
250,000	$0.50	May 13, 2012
5,000,000	$0.46	July 20, 2013
10,869,134		

17. RELATED PARTY TRANSACTIONS

The principal related party relationships requiring disclosure in the consolidated financial statements under IAS 24 Related Party Disclosures pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Company and the identification and compensation of key management personnel as addressed in greater detail below.

17.1 Relationship with subsidiaries

The principal subsidiaries are related undertakings are as follows:

Company Name	Operating Location	Business Description	% Equity Interest
Drumlummon Gold Corp.	United States	Gold and silver mining company	100%
Drumlummon Ltd.	Canada	Gold and silver mining company	100%
Bald Butte Ltd.	Canada	Gold and silver mining company	100%
RX Mining Corp.	Canada	Gold and silver mining company	100%
Marysville Milling and Mining LLC.	United States	Gold and silver mining company	50%

17. RELATED PARTY TRANSACTIONS (continued)

17.2 Terms and conditions of transactions with subsidiaries and other related parties

Transactions with related parties are on terms established and agreed to by the respective parties. Related party transactions not disclosed elsewhere are summarized below:

Included in trade and other payables is $Nil (June 30, 2011 - $53,159; July 1, 2010 - $108,800) due to the Company's former legal counsel who is a director of the Company.

During the nine month period ended March 31, 2012:

Included in professional and consulting fees are $42,848 (2011 - $Nil) of consulting fees paid to a company controlled by a former officer and current director of the Company for services performed while acting as the interim CFO until August 1, 2011, $Nil (2011 - $80,718) of professional fees paid to a company controlled by a former legal counsel and current director of the Company, and $Nil (2011 - $239,664) in management fees to companies controlled by the former directors of the Company.

Included in office and general is $Nil (2011 - $10,121) of fees paid to a company controlled by a former director of the Company, related to rent and office expenses, and $Nil (2011 - $13,382) of fees paid to a company controlled by a former director of the Company.

Included in capital stock is $Nil (2011 - $41,514) of share issuance costs for fees paid to the Company's former legal counsel who is a director of the Company.

18. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, reserve for warrants, reserve for share-based payments, accumulated other comprehensive income and accumulated deficit, in the definition of capital which totals $(2,782,334) at March 31, 2012 (June 30, 2011 - $9,199,771; July 1, 2010 $4,880,534).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants or by securing strategic partners.

The Company forecasts cash flows from operations and anticipated investing and financing activities to ensure that there is sufficient capital on hand to meet ongoing obligations. Senior management is also actively involved in the review and approval of planned expenditures. The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty.

The Company is not subject to externally imposed capital requirements, except as disclosed in Note 13, and there has been no change with respect to the overall capital risk management strategy during the nine months ended March 31, 2012.

19. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (comprised of foreign exchange), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

19. FINANCIAL RISK MANAGEMENT (continued)

Risk management is carried out by management, who is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with their approved policies.

19.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 18.

As at March 31, 2012, the Company has current liabilities of $3,494,284 (June 30, 2011 - $3,087,190; July 1, 2010 - $1,110,958) due within 12 months and has cash, other financial assets, trade and other receivables, due from agents and prepaid expenses and sundry assets which total $3,210,880 (June 30, 2011 - $8,746,386; July 1, 2010 - $5,304,142) to meet its current obligations. As at March 31, 2012 the Company has a working capital surplus (deficiency) of $(283,404) (June 30, 2011 - $5,659,196; July 1, 2010 - $4,193,184). Management will continue to raise capital to fund the Company's exploration, development and feasibility expenditures and for general and administrative costs.

19.2 Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash, short-term investments, trade receivable, due from agents and promissory note receivable. The Company reduces its credit risk by maintaining its primary bank accounts at large financial institutions. The Company assesses its credit risk based on general market knowledge and specific information obtained through its business relationships with each customer. The trade receivable and amounts due from agents were received subsequent to period end as applicable. The Company estimates that the promissory note receivable will be paid in full upon maturity or the value of its security, the Sill Lake claims will be sufficient to yield a full recovery of the principal.

19.3 Market risk

The Company is exposed to foreign exchange risk from various currencies, primarily CDN dollars. Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain CDN cash on hand to support CDN forecasted cash flows over a 12 month horizon. To achieve this objective the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the currency of cash held.

As at March 31, 2012, June 30, 2011 and July 1, 2010 the Company is exposed to currency risk through the following financial assets and liabilities denominated in CDN dollars:

	March 31, 2012	June 30, 2011	July 1, 2010
Cash	**$ 36,818**	$ (23,206)	$ 967,078
Other financial assets	**—**	7,095,000	3,000,000
Due from agents	**—**	—	300,000
Trade and other receivables	**1,654,554**	51,952	51,767
Sundry assets	**79,854**	307,909	188,875
Long-term investments	**1,840,019**	1,466,152	—
Trade and other payables	**(468,412)**	(682,738)	(371,302)
	$3,142,833	$8,215,067	$4,136,418

19. FINANCIAL RISK MANAGEMENT (continued)

Based on the above net exposures as at March 31, 2012, and assuming that all other variables remain constant, a 5% change in the value of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $160,000 in the other comprehensive income for the 9 months ended (June 30, 2011 - $410,000; July 1, 2010 - $210,000).

19.4 Fair value risk

Fair value represents the amounts at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The Company has designated its cash and other financial assets as FVTPL, which is measured at fair value. Common share investment in Argentium Resources Inc. is classified as available-for-sale, which is measured at fair value. Fair value is determined based on transaction value and is categorized as Level 1 measurement.

As at March 31, 2012, June 30, 2011 and July 1, 2010, the carrying and fair value amounts of trade and other receivables, sundry assets and trade and other payables are approximately equivalent due to the relatively short term maturities of these financial instruments.

The carrying value of the promissory note receivable approximates its fair value, as calculated using a 25% discount rate, which is the rate originally used for valuation purposes. It would be equally reasonable to use a discount rate of 20% or 30%. The resulting fair values do not vary significantly using these alternative assumptions.

The carrying value of reclamation bonds approximate its fair value as the amount is reassessed annually by the MDEQ.

The carrying value of the mortgage payable and credit facility approximates their fair values as the stated terms and interest rates are based on the current market terms for similar instruments.

20. SEGMENTED INFORMATION

Operating Segments

At March 31, 2012 the Company's operations comprise a single reporting operating segment engaged in gold and silver exploration in Montana. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *'Operating Segments'*. As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim consolidated financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

The Company operates in two geographic areas, Canada and the United States of America.

Settlement revenues are attributed to activities undertaken in the United States of America and property and equipment are substantially held in the United States of America.

21. CONTINGENCIES

In the normal course of operations, certain contingencies may arise relating to legal actions undertaken against the Company. In the opinion of management, the outcome of such potential legal actions will not have a material adverse effect on the Company's results of operations, liquidity or its financial position.

22. SUBSEQUENT EVENTS

(a) On April 16, 2012, the Company issued 375,000 stock options to employees with an exercise price of $0.39, vesting immediately, 1/3 of the options expiring in 2 years and 2/3 expiring in 5 years.

(b) On April 27, 2012, warrants were exercised into 272,333 common shares at the exercise price of $0.30 for gross proceeds of CDN$81,700 ($83,285).

(c) On May 4, 2012, the Company entered into an agreement to acquire several parcels of land totaling 220 acres in 16 patented claims, including the former Belmont mine workings, for a total of $330,000, subject to customary closing conditions. The Agreement is scheduled to close on July 31, 2012.

(d) On June 7, 2012, RX Gold & Silver Inc. and US Silver Corporation ("US Silver") announced the signing of a definitive agreement to combine the two companies by way of a plan of arrangement with the resulting company to be called U.S. Silver & Gold Inc. The combined company is expected to be a well-funded, growth-oriented, precious metals producer with RX's Drumlummon Mine in Montana, and US Silver's Galena mine and Coeur re-development project, both in Idaho. Under the plan of arrangement, RX's shareholders are to receive 0.109 U.S. Silver & Gold shares per RX Gold share, resulting in an effective ownership of approximately 30% of the combined company.

SCHEDULE IV
COMBINED COMPANY OPTION PLAN

U.S. SILVER & GOLD INC.

STOCK OPTION PLAN

●, 20●

ARTICLE 1
PURPOSE

1.1 Purpose

The purpose of this Plan is to provide key employees, officers, directors and consultants of the Company and its subsidiaries with compensation opportunities that will advance the interests of the Company by encouraging share ownership and to enhance the Company's ability to attract, retain and motivate key personnel and reward significant performance achievements.

ARTICLE 2
INTERPRETATION

2.1 Definitions

For the purposes of this Plan, the following terms shall have the following meanings and grammatical variations of such terms shall have the corresponding meanings:

"**affiliate**" has the meaning set out in NI 45-106;

"**associate**" has the meaning set out in NI 45-106;

"**Blackout Period**" means a period when the Optionee is prohibited from trading in the Company's securities pursuant to securities regulatory requirements or the Company's written policies then applicable;

"**Board**" means the board of directors of the Company, unless a Committee has been constituted and the Committee has been charged with the responsibility of administering the Plan, in which case all references in this Plan to the Board shall be deemed to be references to the Committee;

"**Business Day**" means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business;

"**Cashless Exercise**" has the meaning set out in Section 8.2;

"**Change of Control**" has the meaning set out in Section 9.1;

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended from time to time;

"**Committee**" has the meaning set out in Section 3.2;

"**Company**" means U.S. Silver & Gold Inc. and includes any successor corporation thereto;

"**Consultant**" means a "consultant" (as defined in NI 45-106) of the Company or any of its subsidiaries, providing service to the Company on a continuous basis for at least 12 months;

"**Date of Grant**" means, for any Option, the date specified by the Board at the time it grants the Option (which cannot be earlier than the date on which the Option was granted) or, if no such date is specified, the date on which the Option was granted;

"**Director**" means a director of the Company or of any of its subsidiaries;

"**Eligible Person**" means any Director, Employee or Consultant;

"**Employee**" means an employee of the Company or of any of its subsidiaries and includes officers of the Company or of any of its subsidiaries;

"**Exercise Notice**" has the meaning set out in Section 8.1;

"**Exercise Period**" means the period of time during which an Option granted under this Plan may be exercised (provided, however, that, subject to Section 5.3(b), the Exercise Period may not exceed 10 years from the relevant Date of Grant);

"**Holder**" means the holder of an Option, whether the original Optionee or a Permitted Assign of that Optionee;

"**Incentive Stock Option**" means an Option satisfying the requirements of section 422 of the Code and designated as an Incentive Stock Option in the applicable Option Document;

"**Insider**" has the meaning set out in the TSX Company Manual;

"**Market Price**" of a Share at any date means the closing price of a Share on the Principal Exchange on the trading day immediately preceding such date or, if the Shares are not listed on any stock exchange, then on the over-the-counter market. The Market Price of a Share shall be rounded up to the nearest whole cent. In the event that such Shares are not listed and posted for trading on any stock exchange or traded on any over-the-counter market, the Market Price with respect to a Share shall be the fair market value of a Share as determined by the Board, or the Committee, as applicable, in its discretion;

"**NI 45-106**" means National Instrument 45-106 – *Prospectus and Registration Exemptions* of the Canadian Securities Administrators, as amended from time to time, or such other successor and/or additional regulatory rules, instruments or policies from time to time of Canadian provincial securities regulatory authorities which may govern the trades of securities pursuant to this Plan;

"**Non-Qualified Stock Option**" means an Option that is not an Incentive Stock Option;

"**Option**" means an option to purchase Shares granted under this Plan;

"**Option Document**" means an agreement, certificate or other type of form of document or documentation approved by the Board which sets forth the terms and conditions of an Option; such document or documentation may be in written, electronic or other media, may be limited to a notation on the books and records of the Company and, unless the Board requires otherwise, need not be signed by a representative of the Company or the Optionee;

"**Option Price**" means, in respect of an Option, the price per share at which Shares may be purchased under such Option, as the same may be adjusted from time to time in accordance with Article 10;

"**Optionee**" means an Eligible Person to whom an Option has been granted;

"**Permitted Assign**" has the meaning set out in NI 45-106;

"**Plan**" means this U.S. Silver & Gold Inc. Stock Option Plan, as the same may be amended, restated or replaced from time to time;

"**Plan Limit**" has the meaning set out in Section 4.1;

"**Principal Exchange**" means the TSX or, if the Board in its discretion so determines, another stock exchange on which the Shares are, at the relevant time, listed or quoted for trading;

"**security based compensation arrangements**" has the meaning set out in the TSX Company Manual;

"**Shares**" means the common shares of the Company or, in the event of an adjustment contemplated by Section 10.1, such other shares, securities or property to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;

"**subsidiary**" has the meaning set out in NI 45-106;

"**Termination Date**" means:

(a) in the case of any Employee Optionee or a Director Optionee whose employment or term of office with the Company or any of its subsidiaries terminates in the circumstances set out in Section 7.1 or 7.2, the date on which the Employee Optionee or Director Optionee actually ceases to perform services for the Company or such subsidiary, as the case may be, without regard to (i) whether such Employee Optionee or Director Optionee continues thereafter to receive any payment from the Company or such subsidiary, as the case may be, in respect of the termination of such Employee Optionee's employment, including without limitation any continuation of salary or other compensation in lieu of notice of such termination, or (ii) whether such Employee Optionee is entitled or claims to be entitled at law to greater notice of such termination or greater compensation in lieu thereof than has been received by such Employee Optionee or Director Optionee; and

(b) in the case of a Consultant Optionee whose consulting agreement or arrangement with the Company or any of its subsidiaries, as the case may be, terminates in the circumstances set out in Section 7.3 or 7.4, the date that is designated by the Company or such subsidiary, as the case may be, as the date on which the Consultant Optionee's consulting agreement or arrangement is terminated, or, if no such date is so designated, the date on which the Consultant Optionee actually ceases to perform consulting services for the Company or such subsidiary, as the case may be; provided that "Termination Date" specifically does not mean the date of expiry of any period of notice of termination that the Company or such subsidiary, as the case may be, may be required to provide to the Consultant Optionee under the terms of the consulting agreement or at law, or for which the Company or such subsidiary, as the case may be, has elected to provide compensation in lieu of such notice;

"**TSX**" means The Toronto Stock Exchange;

"**TSX Company Manual**" means the Company Manual of the TSX, as amended from time to time, including such Staff Notices of the TSX from time to time which may supplement the same; and

"**Withholding Tax Amount**" has the meaning set out in Section 8.5.

2.2 Construction

In this Plan, unless otherwise expressly stated or the context otherwise requires:

(a) the division of this Plan into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan;

(b) the terms "Plan", "this Plan", "the Plan", "hereto", "herein", "hereby", "hereof" and "hereunder" and similar expressions refer to this Plan in its entirety and not to any particular provision hereof;

(c) references to Articles, Sections and Appendices followed by a number or letter refer to the specified Articles or Sections of or Appendices to this Plan;

(d) words importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include all genders;

(e) the word "including" is deemed to mean "including without limitation";

(f) whenever the Board is to exercise discretion in the administration of the terms and conditions of this Plan, the term "discretion" means the sole and absolute discretion of the Board or, if applicable, the Committee or any other person to whom the Board has delegated the relevant authority; and

(g) all dollar amounts refer to Canadian dollars, except where otherwise noted.

ARTICLE 3
ADMINISTRATION

3.1 Administration

Subject to Section 3.2, this Plan will be administered by the Board and the Board has sole and complete authority, in its discretion, to:

(a) determine the individuals (from among the Eligible Persons) to whom Options may be granted;

(b) grant Options in such amounts and, subject to the provisions of this Plan, on such terms and conditions as it determines including:

  (i) the time or times at which Options may be granted;

  (ii) the Option Price;

  (iii) the time or times when each Option becomes exercisable and, subject to Section 5.3, the duration of the Exercise Period;

  (iv) any additional performance-related or other requirements for the exercise of Options;

  (v) whether restrictions or limitations are to be imposed on the Shares and the nature of such restrictions or limitations, if any;

  (vi) any acceleration of exercisability or waiver of termination regarding any Option, based on such factors as the Board may determine;

(c) determine the nature and extent of any adjustment(s) to be made to Options pursuant to Article 10;

(d) prescribe the form of the instruments relating to the grant, exercise and other terms of Options;

(e) interpret this Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to this Plan and any Options granted pursuant to the Plan; and

(f) make all other determinations and take all other actions necessary or advisable for the implementation and administration of this Plan and regarding any questions arising with respect to any Option granted pursuant to the Plan.

The Board's determinations and actions within its authority under this Plan are conclusive and binding on the Company and all other persons. The day-to-day administration of this Plan may be delegated to such officers and employees of the Company or its subsidiaries as the Board determines. The Board may also appoint or engage a trustee, custodian or administrator to administer or implement this Plan.

3.2 Delegation to Committee

To the extent permitted by applicable law, the Board may, from time to time, delegate to a committee (the "**Committee**") of the Board all or any of the powers conferred on the Board under this Plan. In such event, the Committee will exercise the powers delegated to it by the Board in the manner and on the terms authorized by the Board. Notwithstanding anything to the contrary contained herein, each Option intended to comply with Section 162(m) of the Code shall be granted by a compensation committee of the Board comprised solely of two or more "outside directors" (within the meaning of Section 162(m) of the Code) and such committee shall have all of the powers of the Board hereunder with respect to grants of Options intended to comply with Section 162(m) of the Code; provided, however, that failure of an Option to be approved in a manner that satisfies the requirements of Section 162(m) of the Code shall not cause the Option to be void. Any decision made or action taken by the Committee arising out of or in connection with the administration or interpretation of this Plan is final and conclusive.

3.3 Committee Actions and Composition

The Committee shall serve at the pleasure of the Board and vacancies occurring on the Committee shall be filled by the Board. The Committee shall select one of its members as its Chair and shall hold its meetings at such times and places as it shall deem advisable, and subject to the provisions of any charter or mandate applicable to such Committee. A majority of the members of the Committee shall constitute a quorum and all actions of the Committee shall be taken

by a majority of the members present at any meeting. Any action of the Committee may be taken by an instrument in writing signed by all of the members of the Committee and any action so taken shall be as effective as if it had been taken by a vote of the majority of the members of the Committee present at a meeting of the Committee duly called and held. Subject as hereinafter provided in this Section 3.3, no member of the Committee shall, during the currency of his or her membership on the Committee, be entitled to participate in the Plan. A member of the Committee may only be entitled to participate as an Eligible Person under the Plan if an Option is granted to such member, and the terms and provisions thereof are determined, by the Board without such member participating in any manner whatsoever in the granting of an Option to, or any determination made with respect to, such member or to such Option; and the Board shall, with respect to such member, be vested with all power and authority otherwise granted to the Committee pursuant to this Plan and the term "Committee" as used herein shall be deemed to mean the Board for such purposes.

3.4 Delegation of Authority to Grant Options

Notwithstanding anything contained herein to the contrary, the Board, in its discretion, may, but need not, delegate from time to time to any director or officer of the Company or its subsidiaries some or all of the Board's authority to grant Options under this Plan. Any delegation hereunder shall be subject to the restrictions and limitations that the Board specifies at the time of such delegation of authority and may be rescinded at any time by the Board.

ARTICLE 4
SHARES SUBJECT TO PLAN

4.1 Limitation

Options may be granted in respect of authorized and unissued Shares provided that the aggregate number of Shares reserved for issuance under this Plan shall not exceed 10% of the issued and outstanding Shares (the "**Plan Limit**"). The Plan Limit shall be subject to adjustment or increase pursuant to the provisions of Article 10 or as may otherwise be permitted by applicable law and the applicable rules of each stock exchange on which the Shares are then listed or quoted for trading. For greater certainty, any Shares that are subject to an Option that expires, is forfeited, is cancelled or terminated, and any Shares representing the difference between the number of Shares in respect of which any Option is exercised in accordance with Section 8.2 and the number of Shares required to be issued upon such exercise under that Section, will again become available for grant under this Plan. No fractional shares may be purchased or issued under this Plan.

ARTICLE 5
ELIGIBILITY, GRANT AND TERMS OF OPTIONS

5.1 Eligibility

The Board may, from time to time, in its discretion, subject to the provisions of this Plan, grant Options to Eligible Persons.

5.2 General

Subject to the other provisions of this Article 5, the Board shall determine the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option.

5.3 Term

(a) Unless the Board otherwise determines in its discretion and subject to any accelerated termination in accordance with the terms of this Plan, each Option shall expire on the tenth anniversary of the Date of Grant.

(b) Notwithstanding the foregoing, if the term of an Option held by any Optionee would otherwise expire during, or within 10 Business Days of the expiration of a Blackout Period applicable to such Optionee, then the term of such Option shall be extended to the close of business on the 10th Business Day following the expiration of the Blackout Period.

5.4 Option Price

The Option Price for the Shares which are the subject of any Option shall be determined on the Date of Grant and shall not in any circumstances be lower than the Market Price of the Shares on the Date of the Grant of the Option.

5.5 Exercise Period

Options will vest and be exercisable in the manner determined by the Board and specified in the applicable Option Document. Once an Option becomes exercisable, it remains exercisable until expiration or termination of the Option, unless otherwise specified by the Board in connection with the grant of such Option. Each Option or instalment may be exercised at any time or from time to time, in whole or in part, for up to the total number of Shares with respect to which it is then exercisable. The Board has the right, in its discretion, to accelerate the date upon which any Option or any instalment of any Option becomes exercisable.

5.6 Incentive Stock Options

The following additional provisions shall apply only to Incentive Stock Options:

(a) no Incentive Stock Option will be granted to any Employee who, at the time such Option is granted, owns securities possessing more than 10% of the total combined voting power of all classes of securities of the Company or of any of its affiliates, except that such an Option may be granted to such Employee if, at the time the Option is granted, the Option Price thereof is at least 110% of the Market Price and the Option by its terms is not exercisable after the expiration of five years from the Date of Grant of such Option; and

(b) to the extent that the aggregate Market Price of the Shares in respect of which Incentive Stock Options granted under this Plan, or options satisfying the requirements of section 422 of the Code granted under any other stock option plan of the Company, are exercisable for the first time by an Optionee during any calendar year exceeds US$100,000, such Option shall be treated as a Non-Qualified Stock Option of such Optionee. This paragraph (b) will be applied by taking Options into account in the order in which they were granted. If some but not all Options granted on any one day are subject to this paragraph (b), then such options shall be apportioned between Incentive Stock Option and Non-Qualified Stock Option treatment in such manner as the Board shall determine in its discretion.

5.7 Additional Limits

Notwithstanding any other provision of this Plan or any agreement relating to Options, no Options shall be granted under this Plan if, together with any other security based compensation arrangement established or maintained by the Company, such grant of Options could result, at any time, in:

(a) the aggregate number of Shares issued to Insiders, within any one-year period, exceeding 10% of the issued and outstanding Shares; or

(b) the aggregate number of Shares issuable to Insiders, at any time, exceeding 10% of the issued and outstanding Shares.

5.8 Option Documents

All grants of Options will be evidenced by Option Documents. Such Option Documents will be subject to the applicable provisions of this Plan and will contain such provisions as are required by this Plan and any other provisions that the Board may direct.

ARTICLE 6
TRANSFERABILITY

6.1 Transferability

An Option is personal to the Optionee and is non-assignable and non-transferable. No Option granted hereunder shall be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of by the Optionee, whether voluntarily or by operation of law, otherwise than by testate succession, will or the laws of descent

and distribution, and any attempt to do so will cause such Option to terminate and be null and void. During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee and, upon the death of an Optionee, the person to whom the rights shall have passed by testate succession or by the laws of descent and distribution may exercise any Option in accordance with the provisions of Section 7.1(b) or 7.3(b), as applicable. Notwithstanding the foregoing, if expressly approved by the Board and subject to Section 8.5, an Option may be transferred (a) by an Optionee to a Permitted Assign of such Optionee, (b) among Permitted Assigns of an Eligible Person, and (c) by an Optionee to such other person that the Board may approve; provided that the Board may attach such terms and conditions to such transfers as the Board may consider necessary or advisable, including with respect to the termination of the Eligible Person.

ARTICLE 7
TERMINATION OF EMPLOYMENT OR SERVICES; DEATH AND DISABILITY

7.1 Termination of Employment or Term of Office

If, before the expiry of an Option in accordance with its terms, the employment or term of office of an Employee or Director Optionee by the Company or a subsidiary, as the case may be, terminates for any reason whatsoever other than termination by the Company or the subsidiary for cause, but including (i) the termination by the Company or subsidiary without cause; or (ii) the voluntary resignation or retirement by the Optionee; or (iii) the termination of employment or term of office by reason of the death or permanent disability of the Optionee, the Options held by the former Employee or Director that are exercisable at the Termination Date continue to be exercisable by the Optionee as follows (in each case, unless otherwise determined by the Board in its discretion):

(a) if the Optionee is alive, by the Optionee at any time during the 90-day period immediately following the Termination Date, but in no event beyond the expiration date of such Option and only to the extent that such Option was vested and exercisable as of the Termination Date; or

(b) if the Optionee is deceased, by the legal representative(s) of the estate of the Optionee at any time during the one-year period immediately following the date of death, but in no event beyond the expiration date of such Option and only to the extent that such Option was vested and exercisable as of the date of death; or

(c) if the Optionee's employment or term of office ceases as a result of the permanent disability of such Optionee (which determination shall be made by the Board in its discretion) by the Optionee or his or her legal representative(s) at any time prior to the expiration date of such Option but only to the extent that such Option was vested and exercisable as of the date of determination of permanent disability.

Unless otherwise determined by the Board in its discretion, any Options held by the Optionee that are not exercisable at the Termination Date immediately expire and are automatically cancelled effective on the Termination Date. Any vested Option that remains unexercised at the end of the applicable period set out in paragraph (a), (b) or (c) above shall immediately expire and automatically be cancelled at the end of such period.

7.2 Termination of Employment or Term of Office for Cause

Where, in the case of an Employee Optionee or a Director Optionee, an Optionee's employment or term of office is terminated by the Company or any of its subsidiaries for cause, then any Options held by the Optionee, whether or not vested or exercisable at the Termination Date, shall immediately expire and are automatically cancelled on such Termination Date, unless otherwise determined by the Board in its discretion.

7.3 Termination of Consulting Services

If, before the expiry of any Option in accordance with the terms hereof, a Consultant Optionee's agreement or arrangement terminates by reason of: (i) termination by the Company or any of its subsidiaries for any reason whatsoever other than for breach or default of the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the Consultant Optionee's consulting agreement or arrangement); or (ii) voluntary termination by the Consultant Optionee; or (iii) the death or permanent disability of the Consultant Optionee, the Options held by the Consultant Optionee that are exercisable at the Termination Date continue to be exercisable by the Consultant Optionee as follows (in each case, unless otherwise determined by the Board in its discretion):

(a) if the Consultant Optionee is alive, by the Consultant Optionee at any time prior to the expiration date of such Option but only to the extent such Option was vested and exercisable as of the Termination Date; or

(b) if the Consultant Optionee is deceased, by the legal representative(s) of the estate of the Consultant Optionee at any time during the one-year period immediately following the date of death, but in no event beyond the expiration date of such Option and only to the extent that such Option was vested and exercisable as of the date of death; or

(c) if the Consultant Optionee's agreement terminates or arrangement ceases as a result of the permanent disability of such Consultant Optionee (which determination shall be made by the Board in its discretion), by the Consultant Optionee or his or her legal representative(s) at any time prior to the expiration date of such Option but only to the extent that such Option was vested and exercisable as of the date of determination of permanent disability.

Unless otherwise determined by the Board in its discretion, any Options held by the Consultant Optionee that are not exercisable at the Termination Date immediately expire and are automatically cancelled effective on the Termination Date. Any vested Option that remains unexercised at the end of the applicable period set out in paragraph (a), (b) or (c) above shall immediately expire and automatically be cancelled at the end of such period.

7.4 Termination of Consulting Services for Breach

Where, in the case of a Consultant Optionee, the Optionee's consulting agreement or arrangement is terminated by the Company or any of its subsidiaries for breach of or default under the consulting agreement or arrangement (whether or not such termination is effected in compliance with any termination provisions contained in the Consultant Optionee's consulting agreement or arrangement and as determined by the Board in its discretion), then any Options held by the Consultant Optionee, whether or not vested or exercisable at the Termination Date, shall immediately expire and are automatically cancelled effective on such Termination Date, unless otherwise determined by the Board in its discretion.

7.5 Change of Employment or Services

Options shall not be affected by any change of employment or consulting arrangement of an Optionee within or among the Company or any one or more subsidiaries or by an Optionee ceasing to be a Director, for so long as the Optionee continues to be any of a Director, Employee or Consultant.

ARTICLE 8
EXERCISE OF OPTIONS

8.1 Exercise and Payment

Subject to the provisions of this Plan and the provisions of the applicable Option and Option Document, an Option that has vested and become exercisable in accordance with its terms may be exercised from time to time by the Holder by delivery to 145 King Street West, Suite 1220, Toronto, Ontario, M5H 1J8, Attention: Chief Financial Officer of a written notice of exercise (the "**Exercise Notice**") specifying the number of Shares with respect to which the Option is being exercised and accompanied by (i) payment in full of the aggregate Option Price of the Shares to be purchased, or, if applicable, a request set out in the Exercise Notice by the Optionee to effect a Cashless Exercise, and, (ii) where required by the Company in accordance with Section 8.5, payment in full of the amount of tax the Company or subsidiary is required to remit as a result of the exercise of the Option. Payment shall be made by certified cheque or by such other means as is acceptable to the Company. Upon actual receipt by the Company of such Exercise Notice and a certified cheque for, or other acceptable payment of, the aggregate Option Price and any taxes relating thereto, the number of Shares in respect of which the Option is exercised will, within a reasonable period of time, be duly issued as fully paid and non-assessable and the Holder exercising the Option, or such nominee as the Holder shall direct, shall be registered on the books of the Company as the holder of the number of Shares so issued and certificates for Shares that have been paid for and issued to a Holder shall be delivered to the Holder.

8.2 Cashless Exercise

In lieu of paying the aggregate Option Price to purchase Shares as set forth in Section 8.1, the Holder may elect to receive, without payment of cash or other consideration except as required by Section 8.5, upon surrender of the applicable portion of a then vested and exercisable Option to the Company at the address set out in Section 8.1, a number of Shares determined in accordance with the following formula (a "**Cashless Exercise**"):

A = B (C – D)/C,

where:

A = the number of Shares to be issued to the Holder pursuant to this Section 8.2;

B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Option being exercised;

C = the Market Price of one Share determined as of the date of delivery of the written Exercise Notice referred to in Section 8.1; and

D = the Option Price.

For greater certainty, upon the Cashless Exercise of an Option (or portion thereof), the total number of Shares that may be issued pursuant to the exercise of Options under the Plan, as set forth in Section 4.1, shall be reduced by the total number of Shares with respect to which the Option (or portion thereof) was surrendered.

8.3 Unvested Options

Except as expressly provided herein, no unvested Options may be exercised.

8.4 Additional Terms and Conditions

Notwithstanding any of the provisions contained in this Plan or in any Option or Option Document, the Company's obligation to issue Shares to a Holder upon the exercise of an Option shall be subject to the following:

(a) completion of such registration or other qualification of such Shares and the receipt of any approvals of governmental authority or stock exchange as the Company shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

(b) the admission of such Shares to listing on any stock exchange(s) or over-the-counter market on which the Shares may then be listed or quoted; and

(c) the receipt from the Holder of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Company or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any applicable jurisdiction.

In connection with the foregoing, the Company shall, to the extent necessary, take all steps determined by the Board, in its discretion, to be reasonable to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing or quotation of such Shares on any stock exchange(s) on which the Shares are then listed or quoted.

8.5 Taxes

Upon the exercise of an Option, the Holder shall prior to or concurrently with the delivery by the Company of any certificates representing Shares issuable pursuant to the exercise of the Option, make arrangements satisfactory to the Company regarding payment of any federal, state, provincial, local or other taxes of any kind required by law to be paid in connection with the exercise of the Option. In order to satisfy the Company's or subsidiaries' obligation, if any, to remit an amount to a taxation authority on account of such taxes in respect of the exercise, transfer or other disposition of an Option (the "**Withholding Tax Amount**"), each of the Company and such subsidiary shall have the right, at its discretion, to:

(a) retain and withhold amounts from any amount or amounts owing to the Optionee or the Holder, whether under this Plan or otherwise;

(b) require the Optionee or the Holder to pay to the Company the Withholding Tax Amount as a condition of exercise of the Option by a Holder; and/or

(c) withhold from the Shares otherwise deliverable to the Holder on exercise of the Option such number of Shares as have a market value not less than the Withholding Tax Amount and cause such withheld Shares to be sold on the Holder's behalf to fund the Withholding Tax Amount, provided that any proceeds from such sale in excess of the Withholding Tax Amount shall be promptly paid over to the Holder.

Notwithstanding the foregoing, nothing shall preclude the Company and the Holder from agreeing to use a combination of the methods described in this Section 8.5 or some other method to fund the Withholding Tax Amount.

ARTICLE 9
CHANGE OF CONTROL

9.1 Change of Control

Notwithstanding anything else contained in this Plan, if the Company proposes to amalgamate, merge or consolidate with any other corporation (otherwise than pursuant to an internal corporate reorganization that would not affect control of the Company) or to liquidate, dissolve or wind-up, or in connection with any proposed sale or conveyance of all or substantially all of the property or assets of the Company or any proposed offer to acquire all of the outstanding Shares or any other proposed transaction involving the Company (in each case, a "**Change of Control**"), the Board may, in its discretion, permit and authorize the accelerated vesting and early exercise of all or any portion of the then outstanding Options in connection with the completion of such Change of Control. Whether or not the Board determines to accelerate the vesting of any Options, the Company shall give written notice of any proposed Change of Control to each Optionee. Upon the giving of any such notice, the Optionees shall be entitled to exercise, at any time within the time period specified in such notice, all or a portion of those Options granted to such Optionees which are then vested and exercisable in accordance with their terms, as well as any unvested Options which the Board has determined shall be immediately vested and exercisable in connection with the completion of such Change of Control. Unless the Board determines otherwise (in its discretion), upon the expiration of the specified time period, all rights of the Optionees to exercise any outstanding Options, whether vested or unvested, shall terminate and all such Options shall immediately expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control.

ARTICLE 10
ADJUSTMENTS

10.1 Adjustments

Appropriate adjustments in the number of Shares subject to this Plan, and as regards Options granted or to be granted, in the number of Shares which are subject to Options and in the Option Price, shall be made by the Board in its discretion to give effect to adjustments in the number of Shares resulting from any subdivision, consolidation or reclassification of the Shares, the payment of any stock dividend by the Company (other than dividends in the ordinary course) or other relevant changes in the capital stock of the Company. The Board's determination of such adjustments shall be final, binding and conclusive for all purposes.

ARTICLE 11
AMENDMENT OR DISCONTINUANCE

11.1 Amendments by Board and Amendments Requiring Securityholder Approval

(a) The Board may in its discretion amend, modify or otherwise change this Plan, any Option Document and any outstanding Option granted hereunder, in whole or in part, at any time without notice to or approval by the shareholders of the Company (provided that, in the case of any action taken in respect of an outstanding Option, the Optionee's consent to such action shall be required unless the Board determines that the action would not materially and adversely affect the rights of such Optionee), for any purpose whatsoever, provided that all material amendments to the Plan shall

require the prior approval of the shareholders of the Company. Examples of the specific types of amendments that are not material and that the Board is entitled to make without shareholder approval include, without limitation, the following:

(i) amendments to the Plan to ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange;

(ii) amendments of a "housekeeping" nature, which include amendments relating to the administration of the Plan or to eliminate any ambiguity or correct or supplement any provision herein which may be incorrect or incompatible with any other provision hereof;

(iii) changing the vesting and exercise provisions of the Plan or any Option in a manner which does not entail an extension beyond the originally scheduled expiry date for any applicable Option, including to provide for accelerated vesting and early exercise of any Options deemed necessary or advisable in the Board's discretion;

(iv) changing the termination provisions of the Plan or any Option which, in the case of an Option, does not entail an extension beyond an Option's originally scheduled expiry date for that Option;

(v) adding a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying Shares from the Plan reserve;

(vi) changing the provisions on transferability of Options for normal estate settlement purposes;

(vii) changing the process by which a Holder who wishes to exercise his or her Option can do so, including the required form of payment for the Shares being purchased, the form of Exercise Notice and the place where such payments and notices must be delivered; and

(viii) adding a conditional exercise feature which would give Optionees the ability to conditionally exercise in certain circumstances determined by the Board in its discretion, at any time up to a date determined by the Board in its discretion, all or a portion of those Options granted to such Optionees which are then vested and exercisable in accordance with their terms, as well as any unvested Options which the Board has determined shall be immediately vested and exercisable in such circumstances.

(b) Notwithstanding anything contained herein to the contrary, no amendment to the Plan requiring the approval of the shareholders of the Company under any applicable securities laws or requirements shall become effective until such approval is obtained. Without limitation of the foregoing, the approval of a majority of the shareholders of the Company present in person or by proxy and entitled to vote at a meeting of shareholders shall be required for the following matters, to the extent required by applicable securities laws and regulatory requirements:

(i) any amendment to the provisions of this Section 11.1 which is not an amendment within the nature of Section 11.1(a)(i) or Section 11.1(a)(ii);

(ii) any amendment to increase the Plan Limit (other than pursuant to Section 10.1);

(iii) any reduction in the Option Price of an outstanding Option (including a cancellation and re-grant of an Option, constituting a reduction of the Option Price of an Option) or extension of the period during which an Option may be exercised, in each case, to the extent such an amendment would benefit an Insider of the Company;

(iv) any amendment to remove or exceed the limitations prescribed by Section 5.7 of the Plan; and

(v) any amendment to the provisions of this Plan that would permit Options to be transferred or assigned other than for normal estate settlement purposes,

in each case, unless the change results from the application of Article 10.

11.2 Shareholder Approval

The shareholders' approval of an amendment, if required pursuant to Section 11.1, shall be given by the approval of a majority of the shareholders of the Company present in person or by proxy and entitled to vote at a duly called meeting of the shareholders and shall, if and only to the extent required under applicable securities laws and regulatory requirements, exclude the votes cast by Insiders of the Company. Options may be granted under the Plan prior to the approval of the amendment, provided that no Shares may be issued pursuant to the amended terms of the Plan until the requisite shareholders' approval of the amendment has been obtained.

11.3 Discontinuance

Subject to Section 11.1, the Board may suspend, discontinue or terminate this Plan at any time.

ARTICLE 12
MISCELLANEOUS

12.1 No Rights of Shareholders

The holder of an Option shall not have any of the rights and privileges of a shareholder of the Company in respect of any of the Shares purchasable upon the exercise of any Option, unless and until such Option has been exercised in accordance with the terms of this Plan (including tendering payment in full of the aggregate Option Price for the Shares and any other amounts payable pursuant to Section 8.5 in respect of which the Option is being exercised) and the Company has issued such Shares to the Holder.

12.2 No Additional Rights Offered

Participation in this Plan is entirely voluntary and not obligatory and shall not confer, nor shall any Option or Option Document be interpreted as conferring, upon any Employee or Director Optionee any right to continue in the employ of or as director of the Company or any of its subsidiaries or affect in any way the right of the Company or any such subsidiary to terminate his or her employment or directorship, as appropriate, at any time; nor shall anything in this Plan or any Option Document be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Company or any of its subsidiaries to extend the employment or directorship of any Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Company or any of its subsidiaries or any present or future retirement policy of the Company or any of its subsidiaries, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract with the Company or any of its subsidiaries.

Nothing in this Plan or any Option shall confer on any Consultant any right to continue to provide services to the Company or any of its subsidiaries or affect in any way the right of the Company or any of its subsidiaries to terminate at any time any agreement or contract with such Consultant; nor shall anything in this Plan or any Option be deemed to be or construed as an agreement, or an expression of intent, on the part of the Company or the subsidiary to extend the time for the provision of services beyond the time specified in the contract with the Company or such subsidiary.

12.3 Governing Law

This Plan and all Option Documents entered into pursuant to this Plan shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable in that province.

12.4 Effective Date

The Effective Date of this Plan is ●, 20●.

Appendix A
FORM OF OPTION AGREEMENT

SHARE OPTION AGREEMENT (the "**Agreement**") made as of the __ day of _____, 20__.

B E T W E E N:

U.S. SILVER & GOLD INC.,
a corporation existing under the laws of the
Province of Ontario,

(hereinafter called the "**Company**"),

OF THE FIRST PART,

- and -

[OPTIONEE NAME],
of the City of _____ in the
[Province of Ontario],

(hereinafter called the "**Optionee**"),

OF THE SECOND PART

WHEREAS the Company has established a Stock Option Plan, as amended, supplemented or replaced from time to time (the "**Plan**") pursuant to which the board of directors of the Company may, in its discretion, grant from time to time options (the "**Options**") to purchase common shares of the Company (the "**Shares**") to Directors, Employees and Consultants (as defined in the Plan) of the Company and its subsidiaries;

AND WHEREAS, to advance the interests of the Company by affording the Optionee the opportunity, through Options, to acquire an increased proprietary interest in the Company, the Company has agreed to issue to the Optionee, pursuant to and in accordance with the terms and conditions of the Plan, Options to purchase up to, in the aggregate, ● Shares (the "**Optioned Shares**") on the terms and conditions set out in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements hereinafter contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties) the parties hereto covenant and agree as follows:

1. Defined Terms

Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan and grammatical variations of such terms shall have corresponding meanings.

2. Grant of Options

Subject to the terms and conditions set out in this Agreement and the Plan, the Company hereby grants to the Optionee _____ personal, non-assignable Options to purchase an aggregate of _____ Optioned Shares, each such Option being exercisable in accordance with the terms of this Agreement and the Plan to acquire one Optioned Share.

3. Option Price

Subject to any adjustment in accordance with Section 10.1 of the Plan, the Option Price at which each Optioned Share may be purchased upon the exercise of an Option shall be $_____ per Optioned Share.

4. Exercise of Options and Vesting Periods

4.1 The Optionee shall have the right to exercise the Options to purchase the Optioned Shares, in whole or in part, in accordance with Section 4.2 of this Agreement. The Options shall expire and terminate at the close of business in Toronto, Ontario on the 10th anniversary of the date of this Agreement, being _____, 20__, subject to any extension in accordance with Section 5.3 of the Plan, or on such earlier date as may be specified in this Agreement and the Plan, after which time the Options shall be of no further force or effect whatsoever as to those Optioned Shares in respect of which the Options have not then been exercised.

4.2 The Options shall be exercisable with respect to the Optioned Shares **[immediately / in accordance with the following schedule:**

(a) as to ● Optioned Shares, on or after the first anniversary of the date of this Agreement;

(b) as to ● Optioned Shares, on or after the second anniversary of the date of this Agreement; and

(c) as to ● Optioned Shares, on or after the third anniversary of the date of this Agreement.]

4.3 The Options shall be exercisable by the Optionee by delivery of a written, duly executed Exercise Notice, substantially in the form of SCHEDULE A annexed hereto, as the same may be amended, supplemented or replaced from time to time, to the Company in accordance with Section 8.1 of the Plan, specifying the number of Optioned Shares with respect to which all or a portion of the Options, as applicable, are being exercised and accompanied by (i) payment in full (by certified cheque, bank draft or other means of payment acceptable to the Company) of the aggregate Option Price payable for the applicable Optioned Shares, or, if applicable, a request set out in the Exercise Notice by the Optionee to effect a Cashless Exercise (as defined in Section 8.2 of the Plan), and, (ii) where required by the Company in accordance with Section 8.5 of the Plan, payment in full of the amount of tax the Company or subsidiary is required to remit as a result of the exercise of the Option, subject to and in accordance with Section 8.2 of the Plan.

5. Optionee Not Required to Exercise Options

Nothing herein contained or done pursuant hereto shall obligate the Optionee to purchase and/or pay for, or the Company to issue, any Optioned Shares except those Optioned Shares in respect of which the Optionee shall have exercised the Options or any portion thereof to purchase hereunder in the manner provided herein.

6. Expiry of Options

The Options shall terminate and expire and be of no further force or effect whatsoever as to the Optioned Shares in respect of which any Options have not then been fully exercised in accordance with the Plan.

7. Adjustments

The number of Optioned Shares subject to the Options and/or the Option Price at which any Optioned Share may be purchased upon the exercise of each Option shall be subject to adjustment from time to time in accordance with Article 10 of the Plan.

8. Miscellaneous Provisions

8.1 Nothing in the Plan, this Agreement or any Option shall confer upon the Optionee any right to continue in the employ of or to continue to provide services to the Company or any of its subsidiaries or affect in any way the right of the Company or any of its subsidiaries to terminate at any time his or her employment or any agreement or contract with the Optionee; nor shall anything in the Plan, this Agreement or any Option be deemed to be or construed as an agreement, or an expression of intent, on the part of the Company or any of its subsidiaries to extend the employment of or the time for the provision of services by the Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan or policy of the Company or any of its subsidiaries, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment or for services with the Company or any of its subsidiaries.

8.2 Upon exercise of an Option, the Optionee shall, upon notification of the amount due and prior to or concurrently with the delivery by the Company of the certificates representing the Optioned Shares issuable pursuant to the exercise of the Option, pay to the Company all amounts necessary to satisfy all applicable federal and provincial withholding tax requirements or shall otherwise make arrangements satisfactory to the Company for such requirements, in accordance with the Plan. In order to implement this provision, and without limiting the foregoing or the provisions of the Plan, the Company shall have the right to, among other things, retain and withhold from any payment or distribution of cash, Optioned Shares or any other amounts payable to an Optionee or the Holder the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect thereto, in accordance with Section 8.5 of the Plan.

8.3 The grant of the Options and the issue of any Optioned Shares upon the exercise of any Options are subject to and conditional upon obtaining any regulatory authority approvals as may be required as a condition of, or in connection with, such grant or issue, including without limitation the satisfaction of the terms and conditions set out in Section 8.4 of the Plan.

8.4 Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

8.5 This Agreement shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein in the Province. Each of the Company and the Optionee hereby attorns to the exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals therefrom.

8.6 This Agreement and the Options granted to the Optionee hereunder are personal to the Optionee and are non-assignable and non-transferable, except in the manner contemplated herein and in the Plan.

8.7 The parties hereto covenant that they shall and will from time to time and at all times hereafter do and perform all such acts and things and execute all such additional documents as may be reasonably required to give effect to the terms and intention of this Agreement.

8.8 Time shall be of the essence of this Agreement.

8.9 This Agreement is subject to the Plan as the same is in effect on the date hereof, all of the terms and conditions of which are hereby incorporated by reference and deemed to be a part hereof, and all interpretations, determinations and rules and regulations relating thereto shall be made by the Board in accordance with the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall prevail. The Optionee hereby acknowledges receipt of a copy of the Plan and that he or she has read and understood the terms and conditions set out therein and further acknowledges and agrees that this Agreement and any Options (and the exercise thereof) are subject to and governed by the terms and conditions of the Plan.

8.10 This Agreement, together with the Plan and the Exercise Notice delivered thereunder, supersedes all other agreements, documents, writings and verbal understandings among the parties relating to the subject matter hereof and represents the entire agreement between the parties relating to the subject matter hereof.

8.11 This Agreement shall enure to the benefit of and be binding upon the Company, its successors and assigns, the Optionee and his or her Permitted Assigns and, subject as is hereinbefore provided, the heirs, executors, administrators and permitted successors of the Optionee and his or her Permitted Assigns.

8.12 This Agreement, the Plan, and any Options granted hereunder may be amended by the Company or its shareholders, as applicable, in accordance with Article 11 of the Plan. No amendment to this Agreement, the Plan or any Options granted hereunder by the Optionee shall be valid or binding on the Company unless in writing and duly executed by the Company.

8.13 This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts, with the same effect as if all parties had signed and

delivered the same document, and all counterparts shall be construed together to be an original and will constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

U.S. SILVER & GOLD INC.

by _____

Name:
Title:

SIGNED, SEALED & DELIVERED
in the presence of:

_____
Witness

_____ (seal)
[**Optionee Name**]

SCHEDULE A
EXERCISE NOTICE

TO: **U.S. SILVER & GOLD INC.**
145 King Street West, Suite 1220
Toronto, ON M5H 1J8
Attention: Chief Financial Officer

Name of Optionee: _____

Address of Optionee: _____

_____

_____

Number of common shares (the "**Shares**") of U.S. Silver & Gold Inc. (the "**Company**") in respect of which the option(s) (the "**Option**") set out below is being exercised: _____ Shares.

Number of Options being exercised (A): _____ Option(s)

Option Price per Share in respect of which the Option is being exercised (B): Cdn.$ _____ per Option

Aggregate Option Price for Shares in respect of which the Option is being exercised (A x B): Cdn.$ _____

The undersigned hereby notifies the Company of the undersigned's exercise, as detailed above, of the Option granted by the Company pursuant to the Company's stock option plan made as of _____ 20__ (the "**Plan**") and the share option agreement made between the Company and the undersigned dated _____, 20__ (the "**Agreement**") to acquire that number of Shares referred to above or, if applicable, to effect a Cashless Exercise (as defined under the Plan) of all or a portion of that Option to acquire that number of Shares referred to above.

The undersigned hereby (check one):

☐ Encloses a certified cheque or bank draft in payment in full of the amount of the aggregate Option Price payable in connection with such exercise of the Option.

OR

☐ Surrenders the Option to acquire _____ Shares and requests that the Option to acquire _____ Shares be exercised by way of a Cashless Exercise as of the date hereof, in accordance with and subject to the terms and conditions of the Plan.

The undersigned acknowledges and agrees that upon exercise of the Option, the Optionee shall, upon notification of the amount due and prior to or concurrently with the delivery by the Company of the certificates representing the Shares issuable pursuant to the exercise of the Option, pay to the Company all amounts necessary to satisfy all applicable federal and provincial withholding tax requirements or shall otherwise make arrangements satisfactory to the Company for such requirements, in accordance with the Plan. Without limiting the foregoing or the provisions of the Plan, the undersigned acknowledges and agrees that the Company shall have the right to, among other things, retain and withhold from any payment or distribution of cash, Shares or any other amounts payable to an Optionee or a Holder the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect thereto, in accordance with the Agreement and Section 8.5 the Plan.

The undersigned also represents and acknowledges the following:

1. I am a resident of Canada at the time of the Option being exercised; and
2. I have received a copy of the Plan and have read and understand the terms and conditions set out therein, and further acknowledge and agree that this Exercise Notice (as defined under the Plan) and any Option (and the exercise thereof) are subject to and governed by the terms and conditions of the Plan and the Agreement.

DATED this __ day of _____, 20__

SIGNED, SEALED & DELIVERED
in the presence of:

_____
Signature of Optionee

_____
Witness

Name (Please Print)

ACCEPTED this __ day of _____, 20__

U.S. SILVER & GOLD INC.

By:_____
Name:
Title:

SCHEDULE V
AUDIT COMMITTEE CHARTER

1. PURPOSE

The role of the Audit Committee is to assist the Board of Directors of the Company (the "**Board**") in its oversight and evaluation of:

(a) the quality and integrity of the financial statements of the Company,

(b) the compliance by the Company with legal and regulatory requirements in respect of financial disclosure,

(c) the qualification, independence and performance of the Company's independent auditor,

(d) the assessment, monitoring and management of the strategic, operational, reporting and compliance risks of the Company's business (the "**Risks**"), and

(e) the performance of the Company's Chief Financial Officer (the "**CFO**").

In addition, the Audit Committee provides an avenue for communication between the independent auditor, the Company's CFO and other financial senior management, other employees and the Board concerning accounting, auditing and Risk management matters.

The Audit Committee is directly responsible for the recommendation of the appointment and retention (and termination) and for the compensation and the oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between senior management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Company.

The Audit Committee is not responsible for:

(a) planning or conducting audits, or

(b) certifying or determining the completeness or accuracy of the Company's financial statements or that those financial statements are in accordance with generally accepted accounting principles ("**GAAP**").

Each member of the Audit Committee shall be entitled to rely in good faith upon:

(a) financial statements of the Company represented to him or her by senior management of the Company or in a written report of the independent auditor to present fairly the financial position of the Company in accordance with GAAP, and

(b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

"**Good faith reliance**" means that the Audit Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by senior management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competence and integrity of senior management or the expert unless there is a reason to doubt their honesty, competence and integrity.

The fundamental responsibility for the Company's financial statements and disclosure rests with senior management. It is not the duty of the Audit Committee to conduct investigations, to itself resolve disagreements (if any) between senior management and the independent auditor or to assure compliance with applicable legal and regulatory requirements.

In discharging its obligations under this Charter, the Audit Committee shall act in accordance with its fiduciary duties.

2. MEMBERSHIP

(a) Members of the Audit Committee shall be appointed by the Board, on the recommendation of the Compensation and Corporate Governance Committee, and shall be made up of at least 3 members of the Board.

(b) The appointment of members of the Audit Committee shall take place annually at the first meeting of the Board after a meeting of shareholders at which directors are elected, provided that if the appointment of members of the Audit Committee is not so made, the directors who are then serving as members of the Audit Committee shall continue as members of the Audit Committee until their successors are appointed. The Board may appoint a member to fill a vacancy that occurs in the Audit Committee between annual elections of directors.

(c) Any member of the Audit Committee may be removed from the Audit Committee by a resolution of the Board.

(d) The Board shall appoint a chairman of the Audit Committee who shall be an independent non-executive director. In the absence of the chairman and/or an appointed deputy, the remaining members present shall elect one of the members present to chair the meeting.

(e) Each of the members of the Audit Committee shall meet the Company's standards of Director Independence and shall be financially literate (or acquire that familiarity within a reasonable period after appointment) in accordance with applicable legislation and stock exchange requirements.

(f) No member of the Audit Committee shall:

(i) accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries (other than remuneration for acting in his or her capacity as a director or committee member) or be an "affiliated person" of the Company or any of its subsidiaries, or

(ii) concurrently serve on the audit committee of more than three other public companies without the prior approval of the Audit Committee, the Compensation and Corporate Governance Committee and the Board and their determination that such simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee (which determination shall be disclosed in the Company's annual management information circular).

3. MEETINGS

(a) The Company Secretary shall act as the Secretary of the Audit Committee.

(b) The quorum necessary for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

(c) A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

(d) The powers of the Audit Committee may be exercised at a meeting at which a quorum of the Audit Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Audit Committee.

(e) Each member (including the Chair) is entitled to one (but only one) vote in Audit Committee proceedings.

(f) The Audit Committee shall meet at least quarterly and more frequently as circumstances require at such times and places as the chairman of the Audit Committee may determine.

(g) The Audit Committee shall meet separately, periodically, with senior management and the independent auditor and may request any member of the Company's senior management or the Company's outside counsel or independent auditor to attend meetings of the Audit Committee or with any members of, or advisors to, the Audit Committee. The Audit Committee will also meet in camera at each of its regularly scheduled meetings.

(i) Review with the independent auditor:

(A) the quality, as well as the acceptability of the accounting principles that have been applied;

(B) any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to senior management and the Company's response to that letter or communication; and

(C) any changes to the Company's significant auditing and accounting principles and practices suggested by the independent auditor or other members of senior management.

(h) Meetings of the Audit Committee shall be summoned by the Secretary of the Audit Committee at the request of any of its members.

(i) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Audit Committee, any other person required to attend and all other non-executive directors, no fewer than 3 working days prior to the date of the meeting. Supporting papers shall be sent to the members of the Audit Committee and to other attendees as appropriate, at the same time.

(j) The Secretary of the Audit Committee shall minute the proceedings and resolutions of all Audit Committee meetings, including the names of those present and in attendance.

(k) Minutes of the Audit Committee meetings shall be circulated promptly to all members of the Audit Committee and, once agreed, to all members of the Board.

(l) Except as otherwise provided in this Charter, the Audit Committee may form and delegate authority to individual members and subcommittees of the Audit Committee where the Audit Committee determines it is appropriate to do so.

4. RESPONSIBILITIES

(a) **Independent Auditor**: The Audit Committee shall:

(i) Recommend the appointment and the compensation of, and, if appropriate, the termination of the independent auditor, subject to such Board and shareholder approval as is required under applicable legislation and stock exchange requirements.

(ii) Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Audit Committee.

(iii) Oversee the work of the independent auditor, including the resolution of any disagreements between senior management and the independent auditor regarding financial reporting.

(iv) Pre-approve all audit and non-audit services (including any internal control-related services) provided by the independent auditor (subject to any restrictions on such non-audit services imposed by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators).

(v) Adopt such policies and procedures as it determines appropriate for the pre-approval of the retention of the independent auditor by the Company and any of its subsidiaries for any audit or non-audit services, including procedures for the delegation of authority to provide such approval to one or more members of the Audit Committee.

(vi) Review the experience and qualifications of the senior members of the independent auditor's team.

(vii) Obtain and review an annual report from the independent auditor regarding the independent auditor's internal quality-control procedures outlining:

(A) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;

(B) any steps taken to deal with any such issues; and

(C) all relationships between the independent auditor and the Company.

(viii) Evaluate, annually, the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.

(ix) Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.

(x) Confirm with the independent auditor that it is a participating audit firm of the Canadian Public Accountability Board in compliance with all restrictions or sanctions imposed on it (if any).

(xi) Provide notice to the independent auditor of every meeting of the Audit Committee.

(xii) Approve all engagements for accounting advice prepared to be provided by an accounting firm other than the independent auditor.

(xiii) Review quarterly reports from senior management on tax advisory services provided by accounting firms other than the independent auditor.

(b) **Audit Process, Financial Statements and Related Disclosure**: The Audit Committee shall:

(i) Meet with senior management and/or the independent auditor to review and discuss:

(A) the planning and staffing of the audit by the independent auditor;

(B) before public disclosure, the Company's annual audited financial statements and quarterly financial statements, the Company's accompanying disclosure of Management's Discussion and Analysis and earnings press releases and make recommendations to the Board as to their approval and dissemination of those statements and disclosure;

(C) financial information and earnings guidance provided to analysts and rating agencies: this review need not be done on a case by case basis but may be done generally (consisting of a discussion of the types of information disclosed and the types of presentations made) and need not take place in advance of the disclosure;

(D) any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Company's financial statements;

(E) all critical accounting policies and practices used;

(F) all alternative treatments of financial information within GAAP that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;

(G) the use of "*pro forma*" or "adjusted" non-GAAP information,—the effect of new regulatory and accounting pronouncements;

(H) the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Company's financial statements;

(I) any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Audit Committee in connection with certification of forms by the CEO and/or the CFO for filing with applicable securities regulators; and

(J) the adequacy of the Company's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel (including any fraud involving an individual with a significant role in internal controls or management information systems) and any special steps adopted in light of any material control deficiencies.

(ii) Review disclosure of financial information extracted or derived from the Company's financial statements.

(c) **Risks**: The Audit Committee shall:

(i) Recommend to the Board for approval a policy that sets out the Risks philosophy of the Company and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks (the "**ERM Policy**") that is developed and is to be implemented by senior management.

(ii) Meet with senior management to review and discuss senior management's timely identification of the most significant Risks, including those Risks related to or arising from the Company's weaknesses, threats to the Company's business and the assumptions underlying the Company's strategic plan ("**Principal Risks**").

(iii) Approve a formalized, disciplined and integrated enterprise risk management process (the "**ERM Process**") that is developed by senior management and, as appropriate, the Technical Committee, to monitor, manage and report Principal Risks.

(iv) Recommend to the Board for approval policies (and changes thereto) setting out the framework within which each identified Principal Risks of the Company shall be managed.

(v) At least semi-annually, obtain from senior management and, as appropriate, the Technical Committee, a report specifying the management of the Principal Risks of the Company including compliance with the ERM Policy and other policies of the Company for the management of Principal Risks.

(vi) Review with senior management the Company's tolerance for financial Risk and senior management's assessment of the significant financial Risks facing the Company.

(vii) Discuss with senior management, at least annually, the guidelines and policies utilized by senior management with respect to financial Risk assessment and management, and the major financial Risk exposures and the procedures to monitor and control such exposures in order to assist the Audit Committee to assess the completeness, adequacy and appropriateness of financial Risk disclosure in Management's Discussion and Analysis and in the financial statements.

(viii) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion.

(ix) Review the adequacy of insurance coverages maintained by the Company.

(d) **Compliance**: The Audit Committee shall:

(i) Obtain reports from senior management that the Company's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics including disclosures of insider and affiliated party transactions and environmental protection laws and regulations.

(ii) Review with senior management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies.

(iii) Review senior management's written representations to the independent auditor.

(iv) Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.

(v) Review with the Company's CFO legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

(vi) Establish procedures for:

(A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and

(B) the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.

(vii) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

(e) **Third Party Transactions**: The Audit Committee shall review for fairness to the Company proposed transactions, contracts and other arrangements between the Company and its subsidiaries and any related party or affiliate, and make recommendations to the Board whether any such transactions, contracts and other arrangements should be approved or continued. The foregoing shall not include any compensation payable pursuant to any plan, program, contract or arrangement subject to the authority of the Company's Compensation and Corporate Governance Committee.

As used herein the term "related party" means any officer or director of the Company or any subsidiary, or any shareholder holding a greater than 10% direct or indirect financial or voting interest in the Company, and the term "affiliate" means any person, whether acting alone or in concert with others, that has the power to exercise a controlling influence over the Company and its subsidiaries.

(f) **Delegation**: To avoid any confusion, the Audit Committee responsibilities identified above are the sole responsibility of the Audit Committee and may not be allocated by the Board to a different committee without revisions to this Charter.

5. REPORTING RESPONSIBILITIES

(a) The Audit Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the Company of its quarterly and annual financial results.

(b) The reports of the Audit Committee shall include any issues of which the Audit Committee is aware with respect to the quality or integrity of the Company's financial statements, its compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor and changes in Risks.

(c) The Audit Committee also shall prepare, as required by applicable law, any audit committee report required for inclusion in the Company's publicly filed documents.

6. AUTHORITY

The Audit Committee is authorized to retain (and authorize the payment by the Company of) and receive advice from special legal, accounting or other advisors as the Audit Committee determines to be necessary to permit it to carry out its duties.

7. ANNUAL EVALUATION

Annually the Audit Committee shall, in a manner it determines to be appropriate:

(a) Conduct a review and evaluation of the performance of the Audit Committee and its members, including the compliance of the Audit Committee with this Charter.

(b) Review and assess the adequacy of this Charter and the position description for its committee chairman and recommend to the Board any improvements to this Charter or the position description that the Audit Committee determines to be appropriate, except for minor technical amendments to this Charter, authority for which is delegated to the Corporate Secretary, who will report any such amendments to the Board at its next regular meeting.

SCHEDULE VI
COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE CHARTER

1. PURPOSE

The role of the Compensation and Corporate Governance Committee is to:

(a) develop and recommend to the Board of Directors of the Company (the "**Board**") criteria for selecting new directors;

(b) assist the Board by identifying individuals qualified to become members of the Board and senior management (consistent with criteria approved by the Board);

(c) recommend to the Board the director nominees for the next annual meeting of shareholders and for each committee of the Board and the chair of each committee;

(d) appoint and perform evaluations of senior management;

(e) develop succession planning systems and processes relating to senior management;

(f) develop compensation structures for the Board and senior management including salaries, annual and long-term incentive plans and plans involving share options, share issuances and share unit awards;

(g) develop and oversee pension and benefit plans and share ownership guidelines;

(h) develop and recommend to the Board appropriate corporate governance principles for the Company;

(i) recommend to the Board procedures for the conduct of Board meetings, and the proper discharge of the Board's mandate;

(j) oversee the annual review of the Board, its committees' and individual directors' performance and the assessment of the Board and committees charters; and

(k) undertake such other initiatives that may be necessary or desirable to enable the Board to provide effective corporate governance.

2. MEMBERSHIP

(a) Members of the Compensation and Corporate Governance Committee shall be appointed by the Board, and shall be made up of at least three members of the Board.

(b) The appointment of members of the Compensation and Corporate Governance Committee shall take place annually at the first meeting of the Board after a meeting of shareholders at which directors are elected, provided that if the appointment of members of the Compensation and Corporate Governance Committee is not so made, the directors who are then serving as members of the Compensation and Corporate Governance Committee shall continue as members until their successors are appointed. The Board may appoint a member to fill a vacancy that occurs in the Compensation and Corporate Governance Committee between annual elections of directors.

(c) Any member of the Compensation and Corporate Governance Committee may be removed from the Compensation and Corporate Governance Committee by a resolution of the Board.

(d) The Board shall appoint a chairman of the Compensation and Corporate Governance Committee who shall be an independent non-executive director. In the absence of a chairman and/or an appointed deputy, the remaining members present shall elect one of the members present to chair the meeting.

(e) Each of the members of the Compensation and Corporate Governance Committee shall meet the Company's standards of Director Independence and shall have or develop an understanding of senior management resources, of compensation principles and practices and of corporate governance principles and practices.

3. MEETINGS

(a) The Company Secretary shall act as the Secretary of the Compensation and Corporate Governance Committee.

(b) The quorum for the transaction of business at any meeting of the Compensation and Corporate Governance Committee shall be a majority of the number of members of the Compensation and Corporate Governance Committee or such greater number as the Compensation and Corporate Governance Committee shall by resolution determine.

(c) The powers of the Compensation and Corporate Governance Committee may be exercised at a meeting at which a quorum of the Compensation and Corporate Governance Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Compensation and Corporate Governance Committee.

(d) Each member (including the chair) is entitled to one (but only one) vote in Committee proceedings.

(e) The Compensation and Corporate Governance Committee shall meet at least twice per year and more frequently as circumstances require at such times and places as the chairman of the Compensation and Corporate Governance Committee may determine. All members of the Compensation and Corporate Governance Committee should strive to be at all meetings.

(f) The Compensation and Corporate Governance Committee shall meet separately, periodically, with senior management and may request any member of the Company's senior management or the Company's outside counsel to attend meetings of the Compensation and Corporate Governance Committee or with any members of, or advisors to, the Compensation and Corporate Governance Committee.

(g) The Chief Executive Officer ("**CEO**") may be present at meetings of the Compensation and Corporate Governance Committee to determine executive compensation other than his or her own. The Compensation and Corporate Governance Committee will also meet in camera at each of its regularly scheduled meetings.

(h) Meetings of the Compensation and Corporate Governance Committee shall be summoned by the Secretary of the Compensation and Corporate Governance Committee at the request of its members.

(i) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Compensation and Corporate Governance Committee, any other person required to attend and all other non-executive directors, no fewer than 3 working days prior to the date of the meeting. Supporting papers shall be sent to the members of the Compensation and Corporate Governance Committee and to other attendees as appropriate, at the same time.

(j) The Secretary of the Compensation and Corporate Governance Committee shall minute the proceedings and resolutions of all Compensation and Corporate Governance Committee meetings, including the names of those present and in attendance.

(k) Minutes of the Compensation and Corporate Governance Committee meetings shall be circulated promptly to all members of the Compensation and Corporate Governance Committee and, once agreed, to all members of the Board.

(l) The Compensation and Corporate Governance Committee may delegate authority to individual members and subcommittees of its members where the Compensation and Corporate Governance Committee determines it is appropriate to do so.

4. RESPONSIBILITIES

(a) **Director Candidates**. The Compensation and Corporate Governance Committee shall:

(i) review annually the competencies, skills and personal qualities required of directors to add value to the Company in light of the opportunities and risks facing the Company and the Company's proposed strategies and the need to ensure that a majority of the Board is comprised of individuals who meet the independence requirements of applicable legislation and stock exchange requirements;

(ii) oversee an appropriate orientation and education for new directors, in co-operation with the Company's senior management, in order to familiarize them with the Company and its business (including the Company's reporting structure, strategic plans, significant financial, accounting and risk issues, compliance programs and policies, senior management and the independent auditor);

(iii) actively seek individuals qualified (in the context of the Company's needs and any formal criteria established by the Board) to become members of the Board for recommendation to the Board;

(iv) review and recommend to the Board the membership and allocation of directors to the various committees of the Board, and the chairs thereof; and

(v) establish procedures for the receipt of comments from all directors to be included in an annual assessment of the Board's performance.

(b) **Compensation**. The Compensation and Corporate Governance Committee shall:

(i) at least annually, review with the CEO the long term goals and objectives of the Company which are relevant to the CEO's compensation, evaluate the CEO's performance in light of those goals and objectives, determine and recommend to the independent directors for approval the CEO's compensation based on that evaluation and report to the Board thereon. In determining the CEO's compensation, the Compensation and Corporate Governance Committee shall consider the Company's performance, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the CEO in past years, with a view to maintaining a compensation program for the CEO at a fair and competitive level, consistent with the best interests of the Company;

(ii) at least annually (and upon appointment), in consultation with the CEO, review and make recommendations to the Board with respect to the compensation of all members of senior management other than the CEO (including incentive-compensation plans, equity-based plans, the terms of any employment agreements, severance arrangements, and change in control arrangements or provisions, and any special or supplemental benefits), with a view to maintaining a compensation program for the senior management at a fair and competitive level, consistent with the best interests of the Company;

(iii) periodically review and make recommendations to the Board with respect to compensation of directors, the Chairman of the Board and those acting as committee chairs to, among other things, ensure their compensation appropriately reflects the responsibilities they are assuming;

(iv) fix and determine (and, as it determines to be appropriate, delegate the authority to fix and determine) awards (and the vesting criteria thereof) to employees of stock or stock options pursuant to any of the Company's equity-based plans now or from time to time in effect or otherwise as permitted by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators and exercise such other power and authority as may be permitted or required under those plans;

(v) regularly review the efficacy of incentive compensation programs and equity-based compensation programs for the Company's directors, officers and employees, including share ownership guidelines and, when necessary, make recommendations to the Board regarding the role and design thereof;

(vi) in co-operation with the Company's senior management, oversee the human resources policies and programs which are of strategic significance to the Company and make recommendations thereon, as required, to the Board;

(vii) review all executive compensation disclosure prior to public disclosure of this information by the Company; and

(viii) periodically review with the Board the succession plans relating to the position of the CEO and other senior positions and make recommendations to the Board with respect to the selection of individuals to occupy these positions.

(c) **Corporate Governance and Compliance**. The Compensation and Corporate Governance Committee shall:

(i) review from time to time the size of the Board and number of directors who are independent for the purpose of applicable requirements;

(ii) at least annually, review the adequacy of the Corporate Governance Policies and Procedures and the Code of Business Conduct and Ethics of the Company and recommend any proposed changes to those Policies and Procedures and to that code to the Board for approval;

(iii) be responsible for granting any waivers from the application of the Company's Code of Business Conduct and Ethics and review senior management's monitoring of compliance with that code;

(iv) at least annually, review the practices of the Board (including separate meetings of non-management directors and of independent directors) to ensure compliance with the Corporate Governance Policies and Procedures of the Company;

(v) at least annually, review the powers, mandates and performance, and the membership of the various committees of the Board and, if appropriate, make recommendations to the Board; and

(vi) at least annually, review the relationship between senior management and the Board and, if appropriate, make recommendations to the Board with a view to ensuring that the Board is able to function independently of senior management.

5. REPORTING RESPONSIBILITIES

(a) The Compensation and Corporate Governance Committee shall report to the Board on a regular basis, and in any event:

(i) at least annually, with an assessment of the performance of the Board, its committees and individual directors and discuss the report with the full Board following the end of each fiscal year;

(ii) before the public disclosure by the Company of directors' and officers' remuneration in its management information circular; and

(iii) as required by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators.

(b) The Compensation and Corporate Governance Committee shall prepare the following reports:

(i) a report on the Company's system of corporate governance practices for inclusion in the management information circular or other public disclosure documents of the Company;

(ii) a report disclosing the extent (if any) to which the Company does not comply with the corporate governance guidelines of applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators; and

(iii) a report on the Company's executive compensation as required by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators.

6. AUTHORITY

The Compensation and Corporate Governance Committee is authorized to:

(a) retain (and authorize the payment by the Company of) and receive advice from special legal or other advisors as the Compensation and Corporate Governance Committee determines to be necessary to permit it to carry out its duties; and

(b) appoint and, if appropriate, terminate any consultant used to identify director candidates or to assist in the evaluation of director, CEO or senior management compensation and to approve the consultant's fees and other retention terms.

7. ANNUAL EVALUATION

Annually, the Compensation and Corporate Governance Committee shall, in a manner it determines to be appropriate:

(a) conduct a review and evaluation of the performance of the Compensation and Corporate Governance Committee and its members, including the compliance of the Compensation and Corporate Governance Committee with this Charter; and

(b) review and assess the adequacy of this Charter and the position description for the chairman of the Compensation and Corporate Governance Committee and recommend to the Board any improvements to this Charter or the position description that the Compensation and Corporate Governance Committee determines to be appropriate, except for minor technical amendments to this Charter, authority for which is delegated to the Corporate Secretary, who will report any such amendments to the Board at its next regular meeting.

SCHEDULE VII
SAFETY, HEALTH AND ENVIRONMENTAL COMMITTEE CHARTER

1. PURPOSE

The role of the Safety, Health and Environmental Committee is to assist the Board of Directors of the Company (the "**Board**") in obtaining assurance that appropriate systems are in place to deal with the management of safety, health and environmental risks.

2. MEMBERSHIP

(a) Members of the Safety, Health, and Environmental Committee shall be appointed by the Board, on the recommendation of the Compensation and Corporate Governance Committee, and shall be made up of at least 2 members of the Board.

(b) The appointment of members of the Safety, Health, and Environmental Committee shall take place annually at the first meeting of the Board after a meeting of shareholders at which directors are elected, provided that if the appointment of members of the Safety, Health, and Environmental Committee is not so made, the directors who are then serving as members of the Safety, Health, and Environmental Committee shall continue as members of the Safety, Health, and Environmental Committee until their successors are appointed. The Board may appoint a member to fill a vacancy that occurs in the Safety, Health, and Environmental Committee between annual elections of directors.

(c) Any member of the Safety, Health, and Environmental Committee may be removed from the Safety, Health, and Environmental Committee by a resolution of the Board.

(d) The Board shall appoint a Chairman of the Safety, Health, and Environmental Committee who shall be an independent non-executive director. In the absence of the chairman and/or an appointed deputy, the remaining members present shall elect one of their members present to chair the meeting.

3. MEETINGS

(a) The Company Secretary or his nominee shall act as the Secretary of the Safety, Health, and Environmental Committee.

(b) The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Safety, Health, and Environmental Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Safety, Health, and Environmental Committee.

(c) The powers of the Safety, Health, and Environmental Committee may be exercised at a meeting at which a quorum of the Safety, Health, and Environmental Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Safety, Health, and Environmental Committee.

(d) Each member (including the Chairman) is entitled to one (but only one) vote in Safety, Health, and Environmental Committee proceedings.

(e) The Safety, Health, and Environmental Committee shall meet not less than two times a year at such times and places as the Chairman may determine.

(f) Meetings of the Safety, Health, and Environmental Committee shall be summoned by the Secretary of the Safety, Health, and Environmental Committee at the request of any of its members.

(g) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Safety, Health, and Environmental Committee and any other person required to attend, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to Safety, Health, and Environmental Committee members and to other attendees as appropriate, at the same time.

(h) The Secretary shall minute the proceedings and resolutions of all Safety, Health, and Environmental Committee meetings, including the names of those present and in attendance.

(i) Minutes of Safety, Health, and Environmental Committee meetings shall be circulated promptly to all members of the Safety, Health, and Environmental Committee and, once agreed, to all members of the Board.

4. RESPONSIBILITIES

The Safety, Health, and Environmental Committee shall:

(a) review and make recommendations to the Board regarding safety, health and environmental matters concerning the Company;

(b) review the Company's policies and systems for identifying and managing health, safety and environmental risks in the Company's operations;

(c) monitor the policies and systems of the Company for ensuring compliance with health, safety and environmental regulatory requirements;

(d) review the performance of the Company with regard to the impact of health, safety, environmental decisions and actions upon employees, communities and other third parties, as well as the impact of such decisions and actions on the reputation of the Company; and

(e) receive, on behalf of the Board, reports from management concerning safety, health and environmental matters.

5. REPORTING RESPONSIBILITIES

The Chairman of the Safety, Health, and Environmental Committee shall regularly report to the Board on its proceedings.

6. OTHER

(a) The Safety, Health, and Environmental Committee shall have access to sufficient resources in order to carry out its duties, including access to professional technical expertise in the areas within its remit.

(b) The Safety, Health, and Environmental Committee shall consider such other matters as the Board may from time to time refer to it.

7. AUTHORITY

The Safety, Health, and Environmental Committee is authorised to:

(a) seek any information it requires from any employee of the Company in order to perform its duties and all employees shall be directed to co-operate with any request made by the Safety, Health, and Environmental Committee;

(b) call any employee to be questioned at a meeting of the Safety, Health, and Environmental Committee as and when required; and

(c) obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference and secure the attendance at its meetings of outsiders with relevant experience and expertise if its considers this necessary, and shall have full authority to commission, at the Company's expense, any reports or surveys which it deems necessary to help fulfil its obligations.

SCHEDULE VIII
BOARD MANDATE

1. ROLE AND OBJECTIVE

The directors are elected by the shareholders and are responsible for the stewardship of the business and affairs of U.S. Silver & Gold Inc. (the "**Company**"). The Board of Directors (the "**Board**") seeks to discharge this responsibility by reviewing, discussing and approving the Company's strategic planning and organizational structure and supervising management to oversee that the strategic planning and organizational structure enhance and preserve the business of the Company and the underlying value of the Company.

2. DIRECTOR RESPONSIBILITIES

(a) **Oversee Management of the Company**. The principal responsibility of the Board is to oversee the management of the Company in a way that is in the best interests of the Company and its shareholders. This responsibility requires that the Board attend to the following:

(i) review and approve on a regular basis, and as the need arises, fundamental operating, financial, and other strategic corporate plans which take into account, among other things, the opportunities and risks of the business;

(ii) evaluate the performance of the Company, including the appropriate use of corporate resources;

(iii) evaluate the performance and integrity of, and oversee the progress and development of, senior management and take appropriate action, such as promotion, change in responsibility and termination;

(iv) implement senior management succession plans;

(v) establish the Company's compensation programs;

(vi) establish a corporate environment that promotes timely and effective disclosure (including appropriate controls), fiscal accountability, high ethical standards and compliance with applicable laws and industry and community standards;

(vii) establish a communication policy for the Company;

(viii) oversee the Company's auditing and financial reporting functions;

(ix) evaluate the Company's systems to identify and manage the risks faced by the Company;

(x) review and decide upon material transactions and commitments;

(xi) develop a corporate governance structure that allows and encourages the Board to fulfill its responsibilities;

(xii) provide assistance to the Company's senior management, including guidance on those matters that require Board involvement; and

(xiii) evaluate the overall effectiveness of the Board and its committees.

(b) **Chair of the Board**. Responsibilities of the Chair of the Board include but are not limited to:

(i) providing leadership to the Board with respect to its functions as described in this Mandate;

(ii) chairing meetings of the Board, including in camera sessions, unless not present;

(iii) ensuring that the Board meets on a regular basis and at least quarterly;

(iv) establishing a calendar for holding meetings of the Board;

(v) in conjunction with the Chief Executive Officer (the "**CEO**"), establishing the agenda for each meeting of the Board, with input from other Board members and any other parties as applicable;

(vi) ensuring that Board materials are available to any director on request;

(vii) fostering ethical and responsible decision making by the Board and its individual members;

(viii) ensuring that resources and expertise are available to the Board so that it may conduct its work effectively and efficiently;

(ix) facilitating effective communication between members of the Board and management; and

(x) attending each meeting of shareholders to respond to any questions from shareholders as may be put to the Chair.

(c) **Exercise Business Judgment**. In discharging their duties directors are expected to exercise their business judgment to act in what they reasonably and honestly believe to be the best interests of the Company and its shareholders free from personal interests. In discharging their duties, the directors normally are entitled to rely on the Company's senior executives, other employees believed to be responsible, and its outside advisors, auditors and legal counsel, but also should consider second opinions where circumstances warrant.

(d) **Understand the Company and its Business**. With the assistance of the management, directors are expected to become and remain informed about the Company and its business, properties, risks and prospects.

(e) **Establish Effective Systems**. Directors are responsible for determining that effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Company.

(f) **Protect Confidentiality and Proprietary Information**. Directors are responsible for establishing policies that are intended to protect the Company's confidential and proprietary information from unauthorized or inappropriate disclosure. Likewise, all discussions and proceedings of the Board must be treated as strictly confidential and privileged to preserve open discussions between directors and to protect the confidentiality of Board discussions.

(g) **Board, Committee and Shareholder Meetings**. Directors are responsible for adequately preparing for and attending Board meetings and meetings of committees on which they serve. They must devote the time needed, and meet as frequently as necessary, to properly discharge their responsibilities.

(h) **Indemnification**. Directors are entitled to Company-provided indemnification through corporate articles and by-laws, corporate statutes, indemnity agreements and, when available on reasonable terms, directors' and officers' liability insurance.

3. DIRECTOR QUALIFICATION STANDARDS

(a) **Independence**. The Board will ensure that it has at all times at least the minimum number of directors who meet applicable standards of director independence. The Board will determine independence on the basis of (i) applicable legal and stock exchange requirements and (ii) being satisfied that the director does not have, directly or indirectly, a financial, legal or other relationship with the Company that, in the Board's judgment, would reasonably interfere with the exercise of independent judgment in carrying out the responsibilities of the director.

(b) **Size and Skills of Board**. The Board believes that a Board comprised of 3 to 10 members is an appropriate size given the Company's present circumstances. The Board also will consider the competencies and skills that the Board, as a whole, should possess and the competencies and skills of each director.

(c) **Other Directorships**. The Board does not believe that its members should be prohibited or discouraged from serving on boards of other organizations, and the Board does not propose any specific policies limiting such activities, providing they do not reduce a director's effectiveness or result in a continuing conflict of interest.

(d) **Tenure**. The Board does not believe it should establish director term limits. Term limits could result in the loss of directors who have been able to develop, over a period of time, significant insight into the Company and its operations and an institutional memory that benefits the Board as well as management. As an alternative to term limits, the Compensation and Corporate Governance Committee will review each director's continuation on the Board annually. This will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and allow the Company to replace directors where, upon recommendation of the Compensation and Corporate Governance Committee, the Board makes a determination in that regard.

(e) **Separation of the Offices of Chairman and CEO**. The Board will select a Chairman of the Board in a manner and upon the criteria that the Board deems appropriate at the time of selection. The Board believes the offices of Chairman of the Board and the CEO should not be held by the same persons.

(f) **Selection of New Director Candidates**. Except where the Company is legally required by contract, law or otherwise to provide third parties with the right to nominate directors, the Compensation and Corporate

Governance Committee will be responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, (ii) recommending to the Board the persons to be nominated for election as directors at any meeting of shareholders and (iii) recommending to the Board persons to be elected by the Board to fill any vacancies on the Board. The Compensation and Corporate Governance Committee's recommendations will be considered by the Board but the recommendations are not binding upon it.

(g) **Extending the Invitation to a New Director Candidate to Join the Board**. An invitation to join the Board will be extended by the Chairman of the Board when authorized by the Board.

(h) **Majority Vote Policy**. If the votes "for" the election of a director nominee at a meeting of shareholders are fewer than the number voted "withheld", the nominee is expected to submit his or her resignation promptly after the meeting for the consideration of the Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee will make a recommendation to the Board after reviewing the matter, and the Board will then decide whether to accept or reject the resignation. The Board's decision to accept or reject the resignation will be disclosed to shareholders. The nominee will not participate in any Compensation and Corporate Governance Committee deliberations whether to accept or reject the resignation. This policy does not apply in circumstances involving contested director elections.

4. BOARD MEETINGS

(a) **Powers Exercised by Resolution**. The powers of the Board may be exercised at a meeting for which notice has been given and at which a quorum is present or, in appropriate circumstances, by resolution in writing signed by all the directors.

(b) **Selection of Agenda Items**. In conjunction with the CEO, the Chairman of the Board shall propose an agenda for each Board meeting. Each Board member is free to request the inclusion of other agenda items and is generally free to request at any Board meeting the consideration of subjects that are not on the agenda for that meeting.

(c) **Frequency and Length of Meetings**. The Chairman of the Board, in consultation with the members of the Board, will normally determine the frequency and length of Board meetings; however, the ultimate power in this regard rests with the Board. Special meetings may be called from time to time as required to address the needs of the Company's business.

(d) **Advance Distribution of Materials**. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will normally be distributed in writing to the directors reasonably before the meeting and directors should review these materials in advance of the meeting. The Board acknowledges that certain items to be discussed at a Board or committee meeting may be of a very time-sensitive nature and that the distribution of materials on these matters before the meeting may not be practicable.

(e) **Executive Session of Independent Directors**. At least one executive session of independent directors will be held on an annual basis.

(f) **Lead Director**. A Lead Director is elected annually at the first meeting of the Board following the shareholders meeting. This role is normally filled by the Chair. At any time when the Chair is an employee of the Company, the non-management directors shall select an independent director to carry out the functions of a Lead Director. This person would chair regular meetings of the non-management directors and assume other responsibilities which the non-management directors as a whole have designated.

(g) **Minutes**. A secretary should be named for each Board and committee meeting and minutes should be circulated in due course after such meeting. Minutes of the committee meetings will be provided to each Board member.

Appendix I – Information About RX Gold

TABLE OF CONTENTS

NOTICE TO READER

All capitalized terms used in this Appendix that are not otherwise defined herein have the meanings ascribed to such terms elsewhere in this Circular. Unless otherwise indicated herein, references to "$" are to Canadian dollars and references to "US$" are to United States dollars. See also in this Circular "*Cautionary Statement Regarding Forward-looking Statements*".

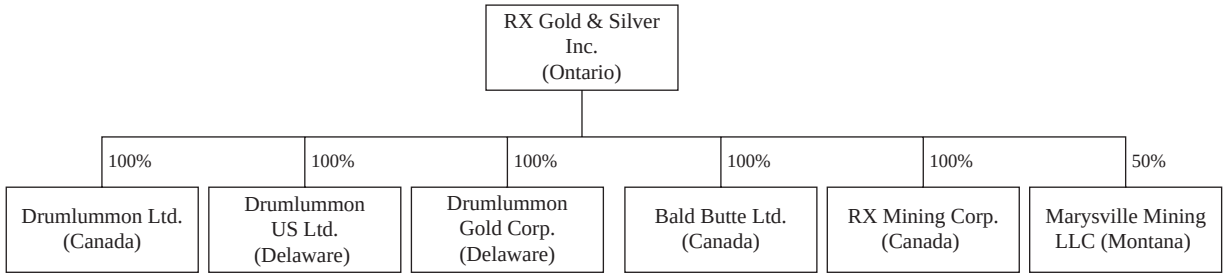
CORPORATE STRUCTURE

RX Gold was formed under the OBCA on March 29, 2000, under the name "RX Neutriceuticals Corp.", by the amalgamation of Glen Roy Resources Inc. and ANL Biospray 2000 Ltd. On May 8, 2006, the company changed its name to "RX Exploration Inc." and, on January 13, 2012, the company changed its name to "RX Gold & Silver Inc."

RX Gold is listed on the TSX-V effective August 4, 2010 and trades under the symbol "RXE". RX Gold is also listed on the OTCQX International effective October 27, 2010 and trades under the symbol "RXEXF". RX Gold is a reporting issuer in Ontario, British Columbia and Alberta.

The head and registered office of RX Gold is located at 145 King Street West, Suite 1220, Toronto, Ontario, M5H 1J8.

The diagram below sets forth RX Gold's inter-corporate relationships among the company and its subsidiaries, including the jurisdiction of incorporation and RX Gold's respective percentage ownership:



RX Gold's patented claims and the operating Drumlummon mine are owned by Drumlummon Ltd. and the surrounding unpatented claims are owned by Drumlummon US Ltd. Drumlummon Gold Corp. ("DGC") is the mine operating company. RX Mining Corp. and Marysville Mining LLC own certain non-material minerals claims located in Ontario and Montana, respectively.

DESCRIPTION OF THE BUSINESS

General Description of the Business

RX Gold is a mining company engaged in the acquisition, exploration, evaluation and development of precious metals mineral properties in North America. RX Gold's flagship property is the 100%-owned Drumlummon mine near the town of Marysville in Lewis and Clark County, Montana. RX Gold first acquired an interest in the Drumlummon mine in 2006 and currently owns approximately 6,573 acres including 42 patented and 351 unpatented mining claims covering the Drumlummon claim group and adjacent Bald Butte claim group (together, the "Drumlummon Mine"). RX Gold's interest in the property includes surface water and mineral rights. RX Gold has been conducting exploration and evaluation procedures and techniques at the Drumlummon Mine and expects to transition to commercial production in the fourth quarter of fiscal 2012.

Business Objectives

RX Gold's strategic objective is to become a gold and silver producer through development of its own projects and consolidation of complementary projects. During fiscal 2012, RX Gold was focused on the following business

objectives: (i) hiring an experienced and effective management team; (ii) enhancing the safety and culture and environmental awareness of the Drumlummon Mine; (iii) completing an updated NI 43-101 compliant resource estimate on the Drumlummon Mine; (iv) transitioning from exploration and evaluation mining to commercial production; (v) evaluating and executing land consolidation and corporate development opportunities; (vi) filing for a full operating permit for the Drumlummon Mine; and (vii) engaging local communities to identify areas of concern before the Drumlummon Mine goes into commercial production.

Operations

RX Gold has been conducting surface and underground exploration work at the Drumlummon Mine under a Montana Department of Environmental Quality (the "DEQ") Exploration License since February 2008. Its exploration activities focus on high grade veins that can be extracted using conventional underground methods.

RX Gold reported its current NI 43-101 compliant resource estimate in the technical report dated April 9, 2012 (the "RX Technical Report") entitled "Technical Report and Resource Estimate on the Au-Ag Drumlummon Mine Project, Montana, USA", prepared by Robert Morrison, Ph.D. and Pacifico Corpuz, P.Eng of Tetra Tech.

RX Gold is currently mining mineralized material from the Drumlummon Mine under a Small Miner Exclusion Statement ("SMES"). RX Gold submitted its application for a full operating permit for the Drumlummon Mine to the DEQ on December 28, 2011 and received comments from the DEQ in a letter dated March 21, 2012. RX Gold is working to address the issues identified in the letter in due course. The permitting process will require the preparation of an Environmental Impact Statement (an "EIS") under the Montana Environmental Policy Act. Timeframes for preparation of an EIS range from 18 months to several years for completion and approval. Until the EIS is complete and an operating permit is received, the Drumlummon Mine is expected to continue to operate under its SMES.

As part of the evaluation procedures and techniques, flotation and gravity concentrates are generated which RX Gold monetizes as an offset to exploration and evaluation expenditures. On May 31, 2012, RX Gold renewed its lease agreement with Contact Mining Company for the use of its gravity/flotation mill located in Philipsburg, Montana for a three-year term. The Philipsburg mill is located roughly 114 road miles from the Drumlummon Mine. Material sourced from the Drumlummon Mine is transported by truck to the mill. Milling operations commenced in April 2010. The use of the mill is contingent on throughput targets of 92,000 dry tons per annum and may be terminated by RX Gold on 30 days' notice.

A key ongoing priority for RX Gold is to increase its gold resources and gold production on a per share basis. Since fiscal year end 2011, RX Gold has expanded its property ownership in the area of the Drumlummon Mine through staking and entering into option and purchase agreements.

Employees

RX Gold employs approximately 148 people in total, including 140 at the Drumlummon Mine and eight at its head office in Toronto.

On July 6, 2011, a new board of directors was elected to lead RX Gold following a proxy contest. The new RX Gold board of directors appointed Darren Blasutti as President and Chief Executive Officer of RX Gold. Mr. Blasutti was given the mandate to hire an effective and experienced mining executive team capable of bringing the Drumlummon Mine into commercial production and to accretively grow RX Gold's gold production and resources on a per share basis beyond the Drumlummon Mine.

RX Gold's current management and the RX Gold board of directors are comprised of senior mining executives who have extensive experience identifying, developing, financing and operating precious metals deposits globally. RX Gold believes that it has adequate personnel with the specialized skills required to successfully carry out its operations. See in this Appendix, "*Risk Factors — Dependence on Key Employees, Management, Contractors and Access to Facilities*".

Financing

On November 8, 2011, RX Gold through its wholly-owned subsidiary Drumlummon Ltd. entered into a senior secured line of credit facility agreement (the "Credit Agreement") with an affiliate of Hale Capital Partners, L.P., for up to US$10 million. All amounts owing under the Credit Agreement are guaranteed by RX Gold. Outstanding amounts under the Credit Agreement accrue interest at a fixed rate of 8.75% per annum with interest payable monthly in arrears starting the sixth month after the initial advance of funds. Amounts owing under the Credit Agreement may be prepaid in whole or in part without premium or penalty at any time and any remaining outstanding amounts are due on or before May 8, 2013. The Credit Agreement is secured by a first charge against all the properties and assets of RX Gold, Drumlummon Ltd., DGC and Drumlummon US Ltd. As at July 9, 2012, RX Gold has drawn US$7.9 million under this facility for working capital purposes. RX Gold does not anticipate it will require additional capital in order to meet its short-term goals of continuing to explore the Drumlummon Mine, permitting, developing and commencing full-scale production operations at the Drumlummon Mine. While the conditions precedent have been satisfied, RX Gold's ability to draw further capital and maintain its current outstanding balance under the Credit Agreement is subject to the maintenance of non-financial covenants and compliance with restrictions set forth therein. See in this Appendix, "*Risk Factors — Additional Funding Requirements and Potential Dilution*".

Environmental and Social Matters

RX Gold's operations are subject to environmental regulations promulgated by local, state, and federal government agencies from time to time. Since the second half of 2011, RX Gold has been strengthening monitoring, controls and disclosure of environmental issues that affect Drumlummon employees and the surrounding communities. RX Gold has undertaken proactive measures to address a range of issues including localized noise, domestic well dewatering, water discharge quality and quantity and roadway safety. Through proactive public engagement, RX Gold continues to gain a better understanding of the concerns of area-wide citizens and regulators, and continues to work collaboratively to identify the most reasonable and cost-effective measures to address the most pressing concerns.

One of the highest priority issues is with respect to mine water discharge. In the first half of 2012, RX Gold conducted a study to examine the effectiveness of the water discharge line in connection with a pending permit from the DEQ. Upon RX Gold sharing the results of the study with the DEQ, RX Gold received a letter from the DEQ on May 29, 2012 that outlined compliance concerns with the Montana Water Quality Act. RX Gold responded in a letter dated the same day that addressed the issues raised by the DEQ and provided a plan and timetable for continued compliance.

Bankruptcy and Similar Proceedings

There have been no bankruptcy, receivership or similar proceedings against RX Gold or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by RX Gold or any of its subsidiaries, within the three most recently completed financial years, and none are proposed for the current financial year.

Material Restructuring Transactions

There have been no material restructuring transactions involving RX Gold or any of its subsidiaries within the three most recently completed financial years, and, other than the Combination Transaction, none are proposed for the current financial year.

PRINCIPAL PROPERTIES

The following information in this Appendix with respect to the Drumlummon Mine is largely extracted, with certain updates, from the RX Technical Report. The updates provided herein have been approved by Jim Atkinson, Vice President, Exploration, at RX Gold. Mr. Atkinson is a "Qualified Person" as that term is defined in NI 43-101. The authors of the Technical Report, Dr. Morrison and Mr. Corpuz, are each a "Qualified Person" and considered "independent" as both those terms are defined in NI 43-101. For additional information please see "*Interests of Experts*" in the management information circular of RX Gold sent to RX Gold Shareholders in connection with the RX Gold Meeting and dated July 9, 2012 (the "RX Gold Circular"). Capitalized terms used in this section but not otherwise defined have the meaning given to them in the RX Technical Report.

A copy of the entire RX Technical Report is available for inspection at the registered office of RX Gold at 145 King Street West, Suite 1220, Toronto Ontario, M5H 1J8 during normal business hours prior to the RX Meeting, or at the RX Meeting. It can also be accessed under RX Gold's profile on SEDAR at www.sedar.com. Following completion of the Combination Transaction, the RX Technical Report will be filed electronically with regulators by the Combined Company and will be available for public viewing under the Combined Company's profile on SEDAR at www.sedar.com.

Area and Location

The Drumlummon Mine is located within the Marysville Mining District in Section 36, T12N, R6W in Lewis and Clark County, Montana at coordinates of 46°44'30" north and 112°18'0" west. The Drumlummon Mine is across Silver Creek to the southeast of the town of Marysville, Montana and approximately 25 miles northwest of Helena, the state capital of Montana.

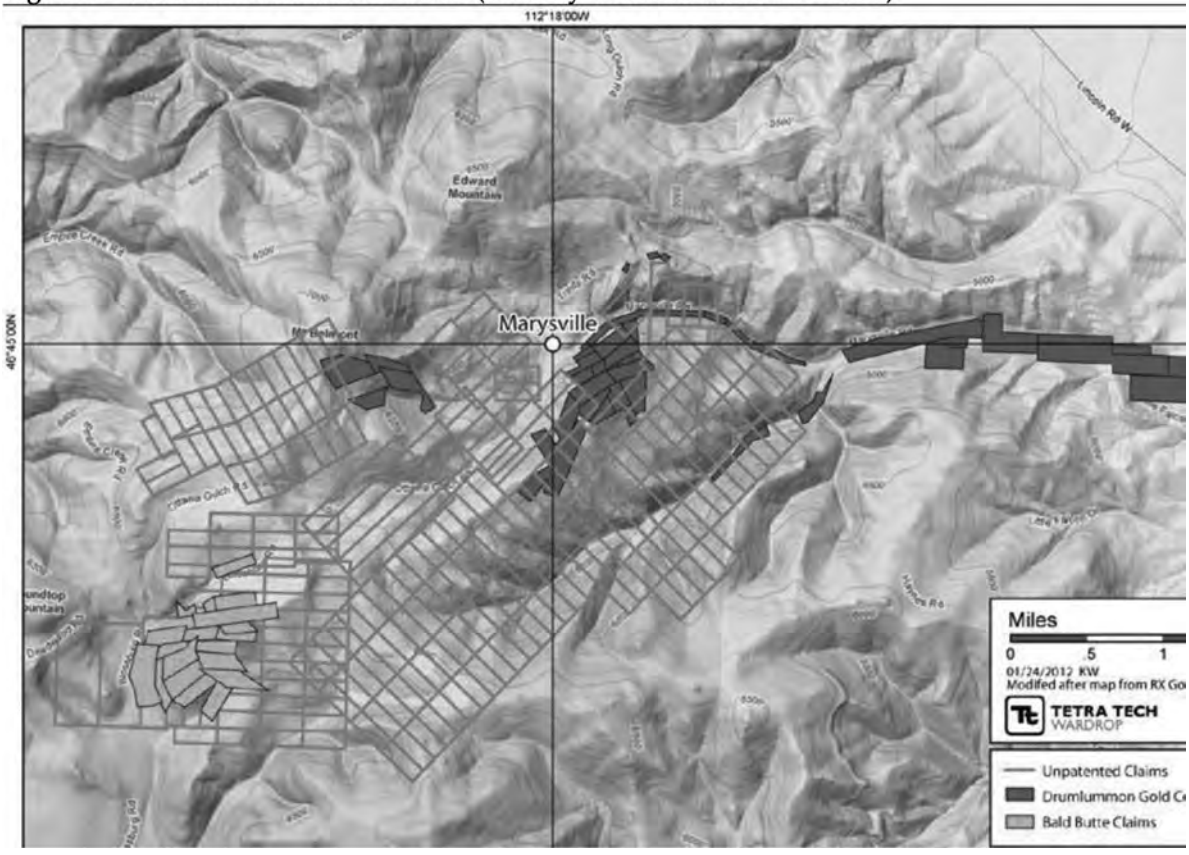
The Drumlummon Mine is situated as shown in Figure 1.

Figure 1 – Drumlummon Mine Location

Prior to the 1980s, the Marysville District was the primary hard rock gold producer in the State of Montana and the Drumlummon Mine was the largest mine within the district. The claims held by RX Gold cover all of the known mineralized area of the Drumlummon Mine that is described in the RX Technical Report.

The Drumlummon Mine claims are shown in Figure 2.

Figure 2 – Drumlummon Mine Claims (Held by Subsidiaries of RX Gold)



Land Agreements and Options

Drumlummon Claims/Hard Rock Claims – Lewis and Clark County, Montana

In October 2006, RX Gold announced that it had entered into an agreement with private arm's-length owners to option from them 100% of their interest in patented mining claims (the "Hard Rock Claims") situated in Lewis and Clark County in the State of Montana. The land package consists of 23 claims comprising approximately 200 to 300 acres (three of the claims consist of less than 100% interest). The Hard Rock Claims include the past-producing "Drumlummon Gold and Silver Mine".

RX Gold has paid the sum of US$1,200,000 to the optionors, as well as 200,000 RX Gold Shares as additional consideration. A 2% net smelter royalty ("NSR") agreement on the Hard Rock Claims was finalized on December 22, 2010.

Placer Claims – Lewis and Clark County, Montana

Also in October 2006, RX Gold announced that it had concurrently entered into a further agreement with private arm's-length owners to option from them 100% of their interest in 14 patented Placer gold mining claims (the "Placer Claims") also situated in Lewis and Clark County. The land package is comprised of approximately 400 to 500 acres over about five miles and is adjacent to the Drumlummon Mine. The claims contain tailings from the Drumlummon Mine which, according to historical information, contain recoverable amounts of gold and silver. Supplementary to this, the claims contain the concrete foundations of a mill that previously had a throughput of 1,000 tons per day. The foundations are in excellent condition and may be appropriate for use in the reconstruction of a mill should a production decision be supported by a feasibility study for the mineralization on the Placer Claims or the Drumlummon Mine.

The Placer Claims were purchased for US$625,000 and 350,000 RX Gold Shares valued at $0.45 each for a total fair value of $157,500. In return for a cash investment of $3,000,000 made in fiscal 2008, RX Gold issued 7,500,000

units in the year ended June 30, 2008 and agreed to transfer this property into a newly formed entity, Marysville Mining LLC, in which RX Gold would have a 50% interest and the investor, Spruce Ridge Resources Ltd. ("Spruce Ridge"), would have the remaining 50% interest. RX Gold does not have a minimum future expenditure commitment on the Placer Claims, but its 50% interest is subject to dilution if RX Gold does not participate pro-rata with Spruce Ridge on any future expenditures. The vendors retain a 2% NSR on the tailings and a 3% gross royalty on the Placer mineralization. RX Gold has no current plan for mining operations in connection with the Placer Claims.

Bald Butte Claims – Lewis and Clark County, Montana

On April 19, 2010, RX Gold entered into a lease agreement with an arm's-length party with an option to purchase 100% of its interest in 21 patented mining claims and 50 unpatented mining claims within Lewis and Clark County. RX Gold paid US$55,000 upon execution of this agreement and has since paid the first and second anniversary payments of US$55,000 and US$75,000, respectively. RX Gold has the exclusive option to purchase the claims for US$5,000,000 at any time during the term of the lease. Supplementary to these payments, RX Gold issued RX Gold Shares with an estimated fair value of $134,000 to the optionors on October 25, 2010. RX has agreed to pay a 2% NSR to the optionors.

Between 1882 and 1942, historic gold and silver production of approximately 100,000 ounces is reported to have occurred from five different veins on the Bald Butte claims. RX Gold intends to examine the potential relationship between gold occurrences on the Drumlummon and on the Bald Butte properties.

McGrath Property – Lewis and Clark County, Montana

A contract for deed was entered into on November 17, 2011 by Drumlummon Ltd. to purchase approximately 23.61 acres of land immediately adjacent to the Drumlummon Mine. Included in the purchase are all mineral rights and royalties, water rights and permits, easements and road accesses. The total purchase price is US$650,000, of which US$350,000 was paid at closing and the remaining US$300,000 is to be paid by May 2013, with interest on the unpaid balance at 5% per year.

Penobscot Agreement – Lewis and Clark County, Montana

An assignment agreement was made on November 15, 2011 between CJ-1, LLC and Drumlummon Ltd. In such agreement, CJ-1, LLC conveyed to Drumlummon Ltd. all of its right, title and interest in an underlying option agreement with a third party in respect of 14 unpatented mining claims (and all related rights and interests) located in Lewis and Clark County. A total of US$30,000 was paid on signing and the remaining $90,000 is to be paid at various dates through to April 29, 2019. The payments are subject to interest at a rate of 3.5% per year. The claims are subject to a 2% NSR, after certain conditions are met.

Belmont Agreement – Lewis and Clark County, Montana

On May 4, 2012, RX Gold entered into an agreement to acquire several parcels of land totaling 220 acres in 16 patented claims, including the former Belmont mine workings, for a total of US$330,000, subject to customary closing conditions. This acquisition is scheduled to close on July 31, 2012. Historically, the Belmont mine produced over 200,000 ounces of gold from 1890 to 1915 and is approximately 1.5 miles from the Drumlummon Mine.

Canadian Claims – Sault Ste. Marie and Thunder Bay, Ontario

RX Gold, through RX Mining Corp., holds interests in certain non-material mineral claims located in Sault Ste. Marie and Thunder Bay, Ontario. RX Gold has no current plans for exploration or operations in connection with these claims.

Surface Rights, Mineral Rights and Environmental Liabilities

RX Gold's interest in the Drumlummon Mine includes surface, water and mineral rights. In groundwater on the Drumlummon Mine, arsenic concentrations are slightly elevated and have an average concentration of approximately 20 parts per billion ("ppb"), whereas the U.S. drinking water standard is 10 ppb. The measured level of arsenic concentration in Silver Creek, which is the closest stream to the Drumlummon Mine, is 3 ppb.

The water in the Silver Creek upstream and downstream of the mine is being monitored by RX Gold via standard water quality parameters. Sampling for arsenic and other elements is also being conducted. Water that leaves the on-site treatment plant is monitored weekly. Any ground disturbed by construction of the infiltration line is to be reclaimed and seeded as directed by the DEQ.

Permitting

On March 12, 2009, RX Gold obtained approval under its Exploration License (No. 00674) to dewater the Drumlummon Mine. Dewatering the mine below the 400-foot level has provided access for exploration of mineralized targets. The Exploration License initially set maximum limits for arsenic in the discharge. Subsequent tests conducted at the mine also revealed elevated levels of antimony. At this time, the mine discharge is successfully treated for arsenic and antimony before entering an underground infiltration gallery downslope of the mine.

RX Gold applied for a Montana Pollution Discharge Elimination System ("MPDES") permit in 2011 which application, after consultation with the DEQ, was most recently updated and re-submitted on June 14, 2012. As a proactive part of this permitting process, RX Gold conducted a tracer study on Silver Creek and discovered that a material portion of the groundwater discharge eventually flows to the adjacent surface water drainage, Silver Creek. The discharge contains nitrates (a residue from underground blasting) at amounts well below the allowable level of 7.5 parts per million ("ppm") for groundwater discharge; however, because the discharge appears to enter Silver Creek fairly rapidly, the DEQ is considering this a discharge to surface water. As with groundwater standards, the discharge is within the human health and aquatic life standards of approximately 1 to 2 ppm, but could be considered as a degradation of water quality under Montana's fairly stringent water quality laws.

As soon as the DEQ identifies the required parameters for nitrates in the discharge as part of the MPDES permitting process, DGC will finalize the ongoing treatment plant design and install the plant as soon as practicable. The water treatment plant that is currently operating to remove arsenic and antimony may also require modification to treat additional metals that were not required to be treated under the Exploration License.

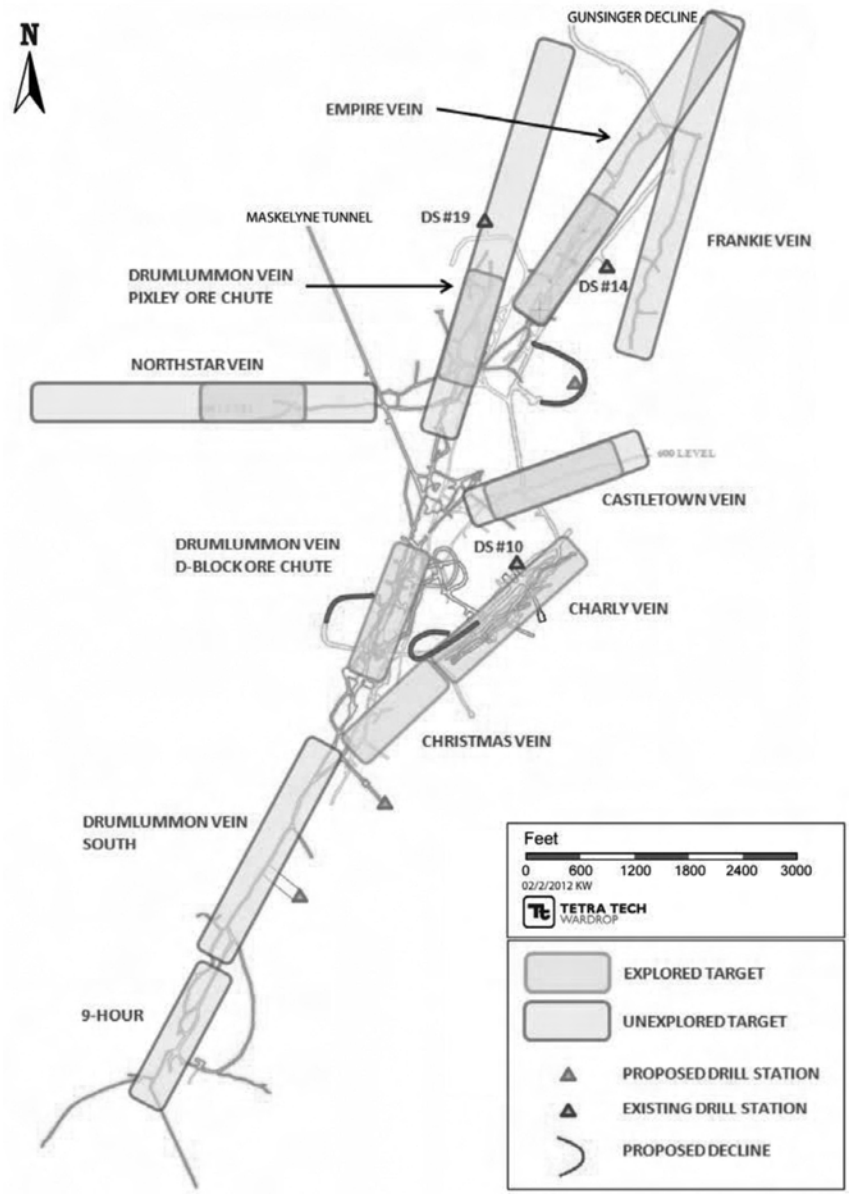
Under a separate permitting process, RX Gold submitted an application for a full operating permit for the Drumlummon Mine to the DEQ on December 28, 2011. The current SMES limits the maximum surface disturbance area to five acres. Any additional space requirements for waste rock, water treatment, or a milling facility would require an operating permit. This application process is underway with RX Gold having received a comment letter from the DEQ dated March 21, 2012 on the initial application. RX Gold is working to address the issues identified in the letter in due course. An EIS will be prepared on the mine activities once that review process is complete.

Production (Test Mining and Milling)

RX Gold is currently conducting test mining and milling at the Drumlummon Mine, and expects to transition to commercial production in the fourth quarter of fiscal 2012. As part of the transition from contractor-driven development mode to the resumption of test mining with RX Gold crews, RX Gold took over all underground operations at the Drumlummon Mine from mining contractor, New Millennium Mining and Contracting LLC ("New Millennium") on April 16, 2011. RX Gold has also completed major modifications to the ventilation system and has upgraded the haulage roads. Initial cross-cuts were driven to provide access to the 600 level of the Empire vein and to the 570 level of the Charly vein. Development headings have also been driven to gain access to the D Block south pillar on the 400 and 500-foot levels.

These structures are shown in Figure 3.

Figure 3 – Map of Main Mineralized Veins



With the completion of the Gunsinger Decline, which connects to the current internal ramp system and the historical workings, excavation of gold/silver vein material from the Drumlummon Mine commenced in May 2011 with a program of silling-out the Empire vein, Charly vein and the D Block area.

RX Gold conducts test mining/milling at the Philipsburg, Montana gravity/flotation mill, which it leases from Contact Mining Company. The mill has a nominal capacity of up to 500 tons per day for hard mineralized material and 600 tons per day for softer material. The test mining/milling program is currently operated at a target rate of 400 tons per day. During 2012, RX Gold also signed processing agreements with Global Metal Technologies, LLC, N.V. Umicore SA and Rand Refinery (PTY) Limited.

Production results at the time of the Technical Report included, from January 1 to January 31, 2012, the processing of approximately 6,950 dry tons of mineralized material with an average grade of 0.14 ounces of gold per short ton and 2.28 ounces of silver per short ton. During the nine months ended March 31, 2012, RX Gold processed

approximately 24,850 dry tons of mineralized material with an average grade of 0.28 ounces of gold per short ton and 5.52 ounces of silver per short ton.

Detailed sampling and assaying of the exposed faces during the underground silling-out program combined with actual metal recoveries from the test milling program are providing additional information regarding grades, continuity and metallurgical recoveries of gold and silver values in the vein systems at the Drumlummon Mine. RX Gold has been conducting exploration and evaluation procedures and techniques at the Drumlummon Mine and expects to transition to commercial production in the fourth quarter of fiscal 2012.

Activity at the Drumlummon Mine has been concentrated on: (i) continuation of the main exploration decline toward the 750 level; (ii) delineation of the upper boundaries of the Charly vein; (iii) stope preparation of the Charly vein and the Drumlummon D Block; and (iv) underground drilling of the Charly vein at deeper levels. See Figure 3 above.

Accessibility, Climate and Physiography, Local Resources and Infrastructure

The Drumlummon Mine is situated on the southeast edge of the town of Marysville (population of approximately 75), Montana. Marysville is accessible by an all-weather road to Helena (population of approximately 30,000), the state capital of Montana, which is located 25 miles to the southeast.

The minimum and maximum mean annual temperatures in the region are 31.5°F and 56.5°F, respectively. July and January average temperatures are 69.1°F and 19.8°F, respectively. The mean annual rainfall for the region is 11.8 inches.

The mine area lies within an area of high relief and there are locally steep hills along the northwestern flank of Drumlummon Hill, a northeastern-trending ridge roughly 2.5 miles long and 1 mile wide. The Drumlummon Mine is approximately 2 miles northeast of the Continental Divide, which is approximately 7,000 feet high in this area. The region is characterized by northeasterly and lesser northwesterly-trending draining and ridge lines. Elevations range between 6,600 feet in the southern claim area to 5,400 feet in the northern claims area, and the topographic relief averages 1,200 ft. Drumlummon Hill is bound by Silver Creek to the north and northwest, by Sawmill Gulch to the southeast, and by the Continental Divide to the south. Vegetation in the area is dominated by Douglas fir, lodge pole pine and aspen trees. Exploration activities may take place throughout the year.

All required facilities and trained personnel for exploration and mine operations are available within the state. The Montana Power Company completed the installation of permanent power to the mine in 2008 and a site office was established outside the mine portal in early 2008. Water in the region is accessible.

The mine site contains core logging and cutting amenities, offices and communication networks. The Drumlummon Mine vein material that is extracted from test mining has been processed at either the Philipsburg gravity/flotation mill owned by Contact Mining Company or at the Golden Sunlight Mine owned by Barrick Gold Corporation. Underground infrastructure includes historic and new mine workings, a refuge station on the 400 level, a water treatment plant on the 400 level, an explosives magazine on the 600 level and an air compressor just below the Gunsinger Decline portal.

History

The exploration and production histories of the Drumlummon Mine dates back to the late 1800s and are summarized in the RX Technical Report. This historical resource is considered to be relevant, but a Qualified Person has not completed sufficient work to classify the historical estimates as current mineral resources. Furthermore, RX Gold is not treating the historical estimates as current mineral resources.

Historical mine production of precious metals was 1.1 to 1.2 million tons with an average grade of 0.5 ounces of gold per short ton in addition to the silver content. For a number of reasons, including a 20-year lawsuit between competing mining companies, there are substantial areas in the mine that have never been developed.

Geological Setting

The following geologic discussion provides an overview of the Marysville mining district and the primary Drumlummon vein system. Additional detailed information on the geological relationships, and regional and local geology in particular, is provided in the RX Technical Report.

Regional Geology

In the region, Precambrian crystalline and metasedimentary rocks form the basement and range in age from approximately 1.6 to 3.27 billion years. Middle Proterozoic Belt Supergroup rocks unconformably overlie the basement rocks and are roughly 23,000 feet thick near Helena, Montana. The overlying Paleozoic rocks are predominantly carbonates, orthoquartzites and calcareous shale. These rocks are cut by the Late Cretaceous Boulder Batholith, which also cuts all regional rocks from the Precambrian to the Late Cretaceous.

The Late Cretaceous Boulder Batholith and the rocks of the syn-orogenic thrust and fold belt of Montana host one of the U.S.'s major mining regions. Gold, silver, copper and lead have been produced from over 30 mining districts. The majority of these deposits are fissure veins, but skarns and disseminate deposits related to the intrusive rocks are locally important. The widest and longest veins are oriented east-west and are extensional fractures that are parallel to the principle compressive stress axis. Veins sets trending northwest and northeast formed as steeply-dipping conjugate shears. North-trending fractures and veins formed late as release fractures oriented perpendicular to the applied stress. The latter are not common, nor are they typically mineralized.

Local Geology

The main lithological units of the Precambrian belt that are found locally within the mine area are the Empire formation, Helena formation, Mount Shields formation, and intrusive rocks.

The Empire formation is the oldest formation exposed in the district. It occurs in a broad zone north of the Marysville stock. The Empire is comprised of greenish-gray shale. The Empire forms the south or hanging-wall side of the Drumlummon vein system. The unit thickness of the Empire formation near Marysville has been estimated as 600 feet, but is likely considerably thicker.

The Helena formation is dominantly comprised of limestone and occupies a broad zone around the eastern, southern and western portions of the stock. It consists of two lithologies, commonly interbedded on the outcrop scale. Most common is impure siliceous limestone. The second lithology is a white to brown weathering siliceous dolomite.

Between the Helena and Empire formations is a transitional zone about 40 meters (132 feet) thick. The contact is drawn through the middle of this zone where calcite-rich rocks become common. The transitional rocks are banded hornfels containing white and light to dark green bands one half to one centimeter in width. The presence of talc in the banding indicates regional metamorphism. The Helena limestone is generally agreed to be as thick as 4,000 feet in the Marysville area.

The Mount Shields formation is an inter-bedded unit of red to maroon shale, siliceous shale and mudstones that occur in the southwest and southern parts of the Marysville area. The unit is in fault relationship with the older Helena and Empire formations. The thickness of the Mount Shields formation in the Marysville district is approximated by most investigators at 1,000 feet.

A varied suite of igneous rocks exists in the district. These range from microdiorite and quartz diorite sills and dikes to intermediate porphyry dikes, gabbroic intrusions and quartz-feldspar porphyry plutons. Microdiorite sills and dikes are pre-Laramide and occur in the Empire and Helena formations. The Marysville stock is the largest intrusive in the area and is composed of quartz diorite.

There are three types of porphyries of intermediate composition included in the district: the Belmont porphyry, the Drumlummon porphyry and a porphyritic hornblende diorite.

Gabbroic rocks in the Marysville district have been noted underground in the Drumlummon Mine in recent advancement of headings, and are closely associated with high grade shoots of mineralized material in the main vein system.

Property Geology and Mineralization

The main veins in the Drumlummon Mine are the Empire, Frankie, Pixley, North Star, Castletown, Charly, D Block, D Block South, Jubilee and Christmas. See Figure 3 above for a map of these veins.

The mineralization of the district occurs as quartz fissure veins in hornfelsed Precambrian and Cambrian sediments and Cretaceous granodiorite rocks of the Marysville Intrusive. Structurally, the district lies at the southeast end of the Lewis and Clark lineament, a north-west trending zone of steep strike slip, dip slip and oblique slip faults that trends from northern Idaho across North-West Montana. Faulting along the Lewis and Clark line is related to the development of an anticline in the area south-west of Bald Butte causing a complex fault and vein pattern in the Marysville area. This resulted in a district-scale pattern of fissuring which focused on the eastern contact of the stock with the Precambrian sediments.

The gangue mineralogy of veins in the Drumlummon Mine is composed of quartz, carbonate and adularia. Partly assimilated fragments of host rock are present within the veins. Gold occurs free in the veins usually associated with dark sulphide bands and patches. Pyrite occurs as minor disseminations and along thin veinlets, with minor amounts of chalcopyrite. Drumlummon mineralization contains tetrahedrite and minerals of the polybasite group of sulfides. Sulfides generally increase with depth. Trace to moderate amounts of galena and sphalerite occur at the Drumlummon Mine. Gold and silver appear to have accompanied all stages of paragenetic mineralization, as they are freely disseminated in both quartz and calcite. Significant mineralization sub-parallel to the main Drumlummon vein system has been discovered in RX Gold exploration and underground development work. Average widths, based on available mine information, appear to be 3 to 10 feet, although the Drumlummon vein can swell to 20 feet in thickness locally especially associated with intersection between veins.

Shoots of mineralized material are controlled by dilation along structure, fracture intersections and intersections with the Belmont porphyry dikes. The Drumlummon vein was controlled by changes in strike or dip, with the best mineralized material occurring on the steeper segments. In the main Drumlummon mineralization, the Jubilee and Samson shoots, which are considered to have been localized by the junction of veins, accounted for approximately 500,000 tons of high-grade gold mineralization. Between shoots, the veins are generally barren or weakly mineralized.

Deposit Types

The Drumlummon Mine is a steeply-dipping fissure quartz-sericite-carbonate-adularia epithermal vein system. Mineralization is formed in epithermal gold-silver low-sulphidation systems. The main commodities are gold and silver, with lesser amounts of lead, zinc, and copper. The mineralized material typically displays open-space filling textures and is associated with volcanic related hydrothermal systems.

Exploration

Prior to the involvement of RX Gold in 2006, the mine and surrounding claims had been largely unexplored for the previous 100 years and, as such, had not benefited from basic modern exploration techniques. The following discusses exploration work conducted by RX Gold on the Drumlummon Mine. Other than drilling, all exploration work conducted by RX Gold thus far occurred in 2011 and 2012.

A soil sampling program was completed in the area to the southwest of the mine during the late summer and fall of 2011. The purpose of the program was to test this area between the Drumlummon claim group and the Bald Butte assets. Soil samples were collected every 100 feet along lines spaced 1,200 feet apart and a total of 850 samples were collected. These samples were submitted for analysis at ALS Laboratories for a series of indicator metals, gold, silver and base metals. Anomalous gold values of up to 0.071 ounces per short ton, and large areas of gold, silver, antimony, copper and mercury anomalies were encountered. Of particular interest, a large anomaly for gold, silver and indicator metals along the strike to the northeast of the Drumlummon Mine was discovered. This area is known to host mineralized quartz veins but has only been minimally explored. A new zone of silver mineralization was also discovered in the southwestern part of the Drumlummon Mine as a result of the soil survey. A helicopter completed an airborne geophysical survey coverage on RX Gold's claims package. The survey results are being reviewed and are expected to be available for follow-up in the 2012 field program. Subsequent work in this region will consist of additional soil sampling, prospecting and geological mapping, followed by trenching and drilling, if warranted.

Drilling

RX Gold has executed diamond drillhole ("DDH") and reverse circulation ("RC") drillhole programs from both underground and on surface. Since 2007, RX Gold has drilled more than 178,000 feet in the Drumlummon area. The following discussion includes all drillholes completed as of December 31, 2011, the effective cut-off date for drilling results used to calculate the resource estimates in the RX Technical Report, and provides an update on RX Gold's 2012 drilling program.

2007 RC Drilling Program

RX Gold commenced drilling on the Drumlummon Mine in 2007 with an RC drill program designed to test areas with known mineralized veins that had not been mined and regions where large pillars remained. Initially, only five drillholes were designed for the program, but an additional four holes were completed to further test an area of the North Star vein where mineralized material was identified in drill cuttings. Drilling was completed by O'Keefe Drilling of Butte, Montana, and a total of nine holes were drilled, totalling 2,940 feet.

2008 Diamond Drilling Program

The 2008 underground drilling program was conducted from both underground and surface and included holes that intersected numerous parallel high grade gold and silver veins, some of which were anticipated from historical information and some of which were then to be considered new discoveries. During this program, RX Gold discovered the Charly vein with diamond drilling in the hanging wall of the Drumlummon vein. Seventy-one DDHs were drilled from underground stations, and a total of 30,978 feet was drilled. The program tested mineralization in the Drumlummon, North Star, Charly, D Block and Christmas veins.

Twenty DDHs were drilled from surface in 2008, totaling 7,780 feet. The 2008 surface program tested mineralization in the Drumlummon and North Star veins. Drilling was completed by Hard Core Drilling of Edmonton, Alberta.

2009 Diamond Drilling Program

Thirty-four DDHs were drilled from underground stations in 2009. A total of 3,086.5 feet was drilled and the program tested mineralization in the Charly vein and D Block area. Drilling was completed by Hard Core Drilling and New Millennium.

Hole collar locations and orientations were generally 25 feet apart in the mineralized zone. Results from these drillholes suggested the Charly vein is dipping at -74° in this area.

Historically, when the Drumlummon Mine was originally mined between 1893 and 1901, mineralized rock that averaged less than 0.4 oz/st was considered to be waste and was used to back fill the large mined out stopes. This material is referred to as "Gob Backfill" and is now considered to be potentially economic. A few of the drillholes of this program intersected what is believed to be Gob Backfill.

In 2009, two drillholes were drilled from surface. The total footage was 2,354 feet. Drilling was completed by Hard Core Drilling and New Millennium.

2010 Diamond Drilling Program

The 2010 diamond drilling program was conducted from both surface and underground. Positive drill results from the program suggested that that there is still a significant amount of gold and silver mineralization proximal to old stopes that was previously considered to be waste during historic mining operations, as well as within totally undeveloped regions of the mine. Drilling activities were completed by New Millennium and Spring Valley Drilling of Hot Springs, Montana.

One hundred and five DDHs were drilled from underground stations in 2010, totalling 17,271 feet. The program tested mineralization in the Charly, Christmas, D Block and North Star veins.

The 2010 underground drilling program confirmed that the D Block mineralization has a strike length of at least 150 feet and that the mineralized zone has an average width of approximately 20 feet between the 400 and 450 levels of the mine. The zone was shown to remain open for expansion down dip and to the south. The 2010 drilling program also increased the strike length and down dip extent of the Charly vein system by 100 feet to the southwest and by 120 feet down.

The 2010 surface drilling program commenced in the fall and tested a number of targets identified from historical data or from previous RX Gold surface drilling. Two drill rigs were utilized to explore targets along strike to the north of known Drumlummon mineralized zones including the Empire and Pixley veins. A total of 34 drillholes, amounting to 21,203 feet were completed.

The Empire vein is a target that has not been fully explored and the 2010 drilling program indicated that it is oriented roughly parallel to the North Drumlummon vein. Various historical holes were drilled in the 1950s and had reported grades averaging about 0.53 ounces of gold per short ton over 4 to 5 feet. Drill results from the 2010 surface program indicate that it has probable continuity of gold and silver mineralization across mining widths.

2011 Diamond Drilling Program

Two new areas of expected mineable mineralization in the Drumlummon Mine were outlined in the 2011 diamond drilling program. Several exciting targets within close proximity to the mine were also discovered. The 2011 exploration drilling program used two surface drills and two underground drills. Approximately 92,580 feet were drilled during the 2011 diamond drilling campaign.

The main purpose of the 2011 drilling program was to identify further mineralization to commence stope mining to provide feed for the mill that RX Gold leases in Philipsburg. The drill program was designed to increase the 2008 NI 43-101 compliant resource estimate. The underground drilling program focused on the Charly, Castletown, Christmas, D Block, Drumlummon, Empire, Frankie, North Star and St. Louis veins whereas the surface drilling campaign focused on the North Star, South Drumlummon and St. Louis extension areas. Drilling was completed by Spring Valley and Core One.

A total of 303 drillholes, amounting to 81,392 feet, were drilled during the 2011 underground drilling campaign. Zones of mineralized material in the Charly, D Block, D Block South and the Christmas veins were outlined by the 2011 drilling program. Furthermore, detailed underground drilling in the Drumlummon vein (Pixley and Empire area) focused on locating mineralized material that was previously left behind by previous mining. The underground drilling performed during the latter half of the year focused on the Charly vein with the intention of acquiring sufficient information for this updated resource estimate.

Further drilling focused on the Drumlummon and Empire veins and mineralized material was discovered in the southern portions of the Empire vein, in proximity to the Drumlummon vein. Test mining is ongoing in this area. Within the Drumlummon vein, exploration proximal to previously mined areas was undertaken to examine the mineralized material that had been left in situ by previous mining operations. Mineralized material was identified in several pillars and in one large area called the D Block.

Drilling also revealed the presence of significant mineralization in the Christmas and St. Louis veins. The Charly and Christmas veins have been intersected over a total strike length of 980 feet. The northern end of the Charly vein has been traced for a total down-dip extent of approximately 304 feet. The Christmas vein, which is further to the south, has been traced along a down-dip extent of 355 feet. Both veins remain open at depth and along strike.

Drillholes targeting the D Block South zone intersected what is believed to be the D Block South pillar and the Gob Backfill in an old stope.

High-grade gold and silver mineralization was intersected by two drillholes in the D Block zone. Drilling in this target suggests that the bonanza-style stringer mineralization is hosted within a wider zone of mineralized material. Additional drillholes intersected mineralization in the D Block south zone and results expanded the previously known size of the target. Mineralization at the D Block South zone is at least 100 feet long, 20 to 30 feet wide and 100 to 150 feet down dip with grades higher than 0.15 ounces of gold per short ton and 1 ounce of silver per short ton. The D Block and D Block South zones are part of the Drumlummon vein system that was originally mined in the late 1800s.

A total of 16 drillholes, amounting to 11,187.5 feet, were drilled during the 2011 surface drilling campaign.

New zones of mineralization in the North Star vein and in the footwall of the Drumlummon vein were discovered during the 2011 surface drilling program. Further surface drilling focused on the North Star vein where approximately 12 drillholes encountered gold mineralization at shallow depths between the 400 and 700 levels.

Exploration from the 2011 surface drilling program discovered a new zone of mineralization in the footwall of the Drumlummon workings that may be related to the St. Louis vein further to the south.

2012 Drilling Program Update

In early January 2012, the RX Gold Board approved a $5 million exploration budget to begin exploration on known remnant areas and the disputed zone which was never mined or drilled due to U.S. apex laws. So far in 2012, RX Gold has discovered high grade mineralized material in the Frankie vein, the Northstar vein, and the Sampson and Jubilee areas of the Drumlummon vein below existing shoots of mineralized material and other remnant areas between 650 and 800 feet. Drilling has been completed from surface on the 9-Hour workings and has encountered many zones of breccia rock similar to the mineralization zones reported by previous miners. Logging and assaying of these zones is continuing. Drilling has commenced from the 400 foot level of the Drumlummon Mine to explore the Drumlummon South area, which is the area between the existing Drumlummon vein workings and the 9-Hour vein that has never been mined or fully explored due to a prior dispute relating to U.S. apex laws.

Sample Preparation, Analyses and Security

Samples to be analyzed are collected, bagged, tagged and delivered to labs for assaying. Chip logs are maintained using industry standard chip trays and the drill sampling programs include the use of duplicates. Upon arrival at the labs, samples are air dried if necessary and crushed. A subsample of the crushed material is pulvarized and the resulting pulp material is rolled onto a cloth to homogenize the sample prior to analysis. The metal contents are determined by conventional fire assay. Standards and blanks are randomly inserted for quality assurance/quality control purposes. To control assay accuracy, three internal standard reference materials ("SRMs") are used at the laboratory. The SRMs were produced on-site by compiling pulp reject material from samples assaying within a specified gold range. When roughly 60 pounds of pulp material is compiled, it is homogenized by mixing in a cement mixer. Three laboratories are used to determine an acceptable value for the SRM, which has included ALS Laboratories in Vancouver and the Deer Lodge and Whitehall laboratories in Montana. Supplementary to this, samples reporting greater than 0.05 ounces of gold per short ton are repeat assayed. Core samples that are not shipped to labs for analysis are stored in secure containers at the Drumlummon Mine.

Data Verification

Tetra Tech Database Verification

The data verification process undertaken by Tetra Tech examined sample number, and gold and silver assay values. Assay certificates were provided in the form of .pdf files (from the Norris Lab) and .xls files (from the Drumlummon lab). No errors in sample numbers were discovered; however, rare assay grade entry errors were found. These represented only four of the total 22,398 drillhole assays, accounting for only approximately 0.018% of the drillhole assay dataset. Some data was removed from the database originally provided by RX Gold, and the aforementioned percentages were calculated based on the dataset used for the accompanying resource estimate.

It was observed that when assaying yields results below detection limit, a value of zero had been entered into the RX Gold database. Since a value below detection limit does not necessarily signify a zero value, it was recommended that half of the detection limit be used in such circumstances. Supplementary corrections were made to the RX Gold database prior to the calculation of the resource estimate contained in the RX Technical Report.

Tetra Tech Site Visit

The Tetra Tech site visit was conducted by Dr. Morrison, from November 13 to 19, 2011, and by Mr. Corpuz, on January 31, 2012.

Mineral Resource and Mineral Reserve Estimates

The Drumlummon Mine mineralization represents a series of narrow, steeply dipping to subvertical, high-grade gold-silver epithermal veins. Due to their narrow disposition, this style of mineralization is always a challenge to model.

Domains

As previously mentioned, the Drumlummon Mine represents a complex collection of high-grade gold-silver veins. The main vein systems were identified through a combination of RX Gold wireframes and visual confirmation of the continuity and orientation of anomalous drillhole and chip sample assays. From these data, both hanging wall and footwall positions to mineralization were determined. These positions were recorded in Datamine™ software as a series of single points. The challenge was to create comprehensive point files to represent the hanging wall and footwall respectively, of each individual independent vein system.

From the provided data, a total of five separate mineralized vein systems were identified as being sufficiently continuous and contiguous as to warrant wireframing. RX Gold also recognized these mineralized systems through their supplied wireframes and through ongoing mining activity (i.e. underground mapping and face sampling). These mineralized systems are known as the Charly vein, Drumlummon vein and Christmas vein.

In general, two vein set orientations were noted: (i) oriented north-northeast and dipping moderately to steeply southeast; and (ii) oriented northeast and dipping steeply southeast.

The former vein sets are represented by the Drumlummon, NE Drumlummon and SW Drumlummon veins, and the latter are represented by the Charly, Christmas and SE Charly veins. The SE Charly vein forms a splay off the Charly vein, while the Charly and Christmas veins were modeled as one; the approximate boundary between the two structures forming a slight deflection in the vein orientation.

Mineral Resource Classification

In contrast to many other deposits, the vein-sets of the Drumlummon Mine have had a long history of exploitation. As such, the geology of the deposit is well-known and the continuity of mineralization is well understood. For this resource model, the resource classification was assigned to cells by means of two solid wireframes.

Mineral Resource Tabulation

The Drumlummon mineral inventory (measured, indicated and inferred) is reported in troy ounces (one troy ounce equals 31.1035 grams) and short tons (1 short ton equals 2,000 pounds).

Mineral inventory cut-offs represent gold equivalent (AuEq) (troy ounce per short ton) as a function of gold and silver. For this calculation, silver is allotted an 83% recovery. Silver is valued at US$22 per troy ounce and gold is valued at US$1,200 per troy ounce. Reported grade cut-offs run from 0.05 to 0.35 ounces per short ton (AuEq). A 0.1 ounce per short ton AuEq base-case cut-off has been chosen.

Figure 4 tabulates the total Drumlummon Mine mineral inventory (measured, indicated and inferred) for material that has not been mined.

On February 22, 2012, RX Gold announced the mineral resource estimate supported by the RX Technical Report, which was completed and approved by Tetra Tech. Due to broader spaced sampling, the inferred resource category is more sensitive to changes in the grade continuity. The changes in the continuity determined by Tetra Tech in their review resulted in the inferred gold equivalent ounces being reduced depending on the reported cut-off used. Consequently, the mineral resource estimate was revised and is reported herein with the assumption of reduced grade continuity.

Cut-offs are as gold equivalent and ranging from 0.05 ounces per short ton to 0.35 ounces per short ton. Ounces are as troy ounces (one troy ounce equals 31.1035 grams). Tons are as short tons (1 short ton equals 2,000 pounds). Density is in pounds per cubic foot.

Figure 4 – Combined Mineral Resource for the Drumlummon Mine

Rescat	AuEq Cut-off	Density	Short Tons (st)	AuEq (oz)	Au (oz)	Ag (oz)	Grade AuEq (oz/ton)	Grade Au (oz/ton)	Grade Ag (oz/ton)
	0.05	166.68	19,984.93	9,737.81	7,299.69	160,227.37	0.49	0.37	8.02
	0.1	**166.68**	**14,351.15**	**9,307.60**	**6,992.07**	**152,170.75**	**0.65**	**0.49**	**10.60**
Measured	0.15	166.68	10,867.54	8,890.99	6,722.80	142,487.79	0.82	0.62	13.11
	0.2	166.68	10,067.47	8,759.35	6,636.34	139,519.21	0.87	0.66	13.86
	0.25	166.68	9,634.10	8,668.77	6,566.42	138,160.96	0.90	0.68	14.34
	0.3	166.68	9,184.07	8,539.62	6,471.90	135,884.91	0.93	0.70	14.80
	0.35	166.68	9,025.72	8,488.80	6,435.88	134,912.69	0.94	0.71	14.95
	0.05	166.68	256,637.20	50,701.41	43,280.25	487,699.71	0.20	0.17	1.90
	0.1	**166.68**	**161,129.56**	**43,473.44**	**36,966.86**	**427,595.46**	**0.27**	**0.23**	**2.65**
	0.15	166.68	87,957.04	34,620.07	29,072.12	364,596.64	0.39	0.33	4.15
	0.2	166.68	64,063.46	30,537.19	25,452.50	334,152.38	0.48	0.40	5.22
Indicated	0.25	166.68	52,295.85	27,900.93	23,166.87	311,110.71	0.53	0.44	5.95
	0.3	166.68	42,570.07	25,157.00	20,758.55	289,054.66	0.59	0.49	6.79
	0.35	166.68	35,627.85	22,893.42	18,731.83	273,489.29	0.64	0.53	7.68
	0.05	166.68	240,944.27	51,140.71	45,077.00	398,491.44	0.21	0.19	1.65
	0.1	**166.68**	**164,371.48**	**45,316.08**	**39,675.05**	**370,713.95**	**0.28**	**0.24**	**2.26**
	0.15	166.68	126,893.48	40,607.91	35,292.39	349,321.78	0.32	0.28	2.75
	0.2	166.68	85,123.48	33,423.37	28,706.48	309,982.24	0.39	0.34	3.64
Inferred	0.25	166.68	57,454.60	27,194.31	22,950.33	278,903.18	0.47	0.40	4.85
	0.3	166.68	40,494.91	22,574.84	18,708.55	254,082.38	0.56	0.46	6.27
	0.35	166.68	32,077.57	19,881.50	16,343.75	232,491.39	0.62	0.51	7.25
	0.05	166.68	276,622	60,439	50,580	647,927	0.2185	0.1828	2.3423
	0.1	**166.68**	**175,481**	**52,781**	**43,959**	**579,766**	**0.3008**	**0.2505**	**3.3039**
	0.15	166.68	98,825	43,511	35,795	507,084	0.4403	0.3622	5.1312
Measured +	0.2	166.68	74,131	39,297	32,089	473,672	0.5301	0.4329	6.3897
Indicated	0.25	166.68	61,930	36,570	29,733	449,272	0.5905	0.4801	7.2545
	0.3	166.68	51,754	33,697	27,230	424,940	0.6511	0.5262	8.2107
	0.35	166.68	44,654	31,382	25,168	408,402	0.7028	0.5636	9.1460

Development and Production

Presently, the underground operation produces an average of approximately 325 tons per day of mineralized material. The objective is to increase the rate to 400 tons per day during 2012.

An individual vein mining schedule is currently being developed in conjunction with the long-range mine plan. As mining extends into the deposit, access ramp and lateral development will be driven accordingly. A ventilation raise will be excavated from the underground workings to the surface to provide adequate air circulation for mine operations.

Conventional narrow vein mining methods are used: longitudinal longhole ("LH") and shrinkage. All current production is sourced from the Charly vein. Sublevels in the LH stopes are spaced at 40 ft vertical, presently on the 530 level (top), 570 level and 610 level.

Waste rock is currently dumped into empty stopes, or brought to surface and hauled off site by a local gravel pit contractor. Mineralized material and waste are being loaded with either 2-cubic yard or 4-cubic yard long-haul-dump into 16-ton trucks and hauled to surface via the Gunsinger Decline. Mineralized material is transported 114 road miles (185 kilometres) in 35-ton highway trucks to the Philipsburg mill.

Ventilation

Two identical main fans are installed on the 600 level, each drawing 53,000 cubic feet per minute of fresh air from surface via old workings. Booster fans distribute fresh air into the work places. Used air is exhausted via the Gunsinger Decline, the Maskelyne Tunnel and old workings.

Dewatering

The mine was flooded, up to the 400 level (5,951 feet above mean sea level ("famsl")), the level of the Maskelyne Tunnel. RX Gold started dewatering in November 2009 to gain access to lower levels of the mine. Currently, the mine is performing dewatering in the primary (No. 1) shaft at a rate of 250 to 300 gallons per minute.

In order to provide access to recognized mineralization at greater depths within the mine, RX Gold must dewater to the 1,200 feet level (5,151 famsl). As dewatering efforts progress deeper into the primary mine shaft, dewatering rates will likely increase but should not exceed 600 gallons per minute based on historic dewatering efforts and recent groundwater modelling results.

Elevated concentrations of arsenic and antimony in groundwater within the mine require water treatment prior to discharge to meet limits set forth by the DEQ. The water treatment plant, currently located underground within the hoist room of the primary mine shaft, is capable of treating 300 gallons per minute. If dewatering rates increase in future, modifications to the water treatment plant will be required. Such modifications may include the relocation of the water treatment plant to an outside building.

Following treatment, water is discharged through an existing infiltration line consisting of a gravity fed 6 inches high density polyethylene piping traversing from the mine to an abandoned railroad grade located below the line.

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of RX Gold and could cause RX Gold's operating and financial performance to differ materially from the estimates described in forward-looking statements related to RX Gold. These include widespread risks associated with any form of business and specific risks associated with RX Gold's business and its involvement in the gold and silver exploration and development industry. An investment in RX Gold is highly speculative due to the high-risk nature of its business and the present stage of its operations. The risks described below are not the only ones facing RX Gold. Additional risks not currently known to RX Gold, or that RX Gold currently deems immaterial, may also impair RX Gold's business or operations. If any of the following risks actually occur, RX Gold's business, financial condition, operating results and prospects could be adversely affected.

Mineral Exploration

The business of exploration for minerals and mining involves a high degree of risk. A relatively small proportion of properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial mineralized material on any of the mineral properties in which RX Gold holds interest or intends to acquire an interest and the proposed exploration program is an exploratory search for mineralized material. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. RX Gold has limited experience in the development and operation of mines and has relied on and may continue to rely upon its employees, consultants and others for exploration and operating expertise. The economics of developing gold, base metal and other mineral properties is affected by many factors including the cost of operations, variation of the grade of mineralized material mined, and fluctuations in the price of any minerals produced.

Additional Funding Requirements

RX Gold has no history of generating significant revenues. Accordingly, the success of RX Gold is dependent, among other things, on obtaining sufficient funding to enable RX Gold to explore and develop its properties. There can be no assurance that RX Gold will be able to obtain adequate funding in the future or that the terms of such funding will be favourable. Failure to obtain such additional funding could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Continuation of Operating Losses

RX Gold does not have a long historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of RX Gold management. Further, RX Gold's properties have primarily been exploration stage properties and may not be commercially viable in the long run. RX Gold does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Title to Mineral Properties (Ownership Rights)

Although title to RX Gold's properties has been reviewed by or on behalf of RX Gold, no assurances can be given that there are no title defects affecting such properties. Title insurance generally is not available for mining claims. While there is mineral title insurance in respect of certain of RX Gold's claims, RX Gold's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. RX Gold has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. It is possible that RX Gold's properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims and title may be affected by, among other things, undetected defects. In addition, RX Gold may be unable to operate its properties as permitted or to enforce its rights with respect to such properties.

Resource Estimates

The resources presented in this Appendix and elsewhere in this Circular are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the expected level of recovery will be realized. Such figures have been determined based upon assumed metal prices. Future production could differ dramatically from estimates due to mineralization or formations different from those predicted by drilling, sampling and similar examinations or declines in the market price of the metals may render the mining some or all of the resources as uneconomic.

Economic

Even if RX Gold's exploration programs are successful, factors beyond the control of RX Gold may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond RX Gold's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. Concern about global growth has led to volatility in the commodity markets. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing and raising funds. The effect of these factors cannot accurately be predicted.

Commodity Price Risk

The ability of RX Gold to develop its mining properties and the future profitability of RX Gold is directly related to the market price of gold and silver.

Competition

The mining industry is intensely competitive in all its phases. RX Gold competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants.

Foreign Operations

RX Gold's operations and properties are located in the United States. Changes, if any, in mining or investment policies or shifts in political attitudes in the United States may adversely affect RX Gold's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on operations, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. In addition, in the event of a dispute arising from its foreign operations, RX Gold may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. RX Gold also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for RX Gold to accurately predict such developments or changes in laws or policy or to the extent to which any such developments or changes may have a material adverse effect on RX Gold's operations.

Environmental

RX Gold's operations are subject to environmental regulations promulgated by local, state and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. RX Gold intends to fully comply with all environmental regulations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Environmental conditions may exist on the properties in which RX Gold holds interests that are unknown to RX Gold at present and have been caused by previous or existing owners or operators of the properties. RX Gold may be responsible for remediating any conditions that the previous or existing owners may have caused.

Joint Ventures and Option Agreements

RX Gold enters into option agreements and joint ventures as a means of gaining property interests and raising funds. Any failure of any partner to meet its obligations to RX Gold or other third parties, or any disputes with respect to third parties' respective rights and obligations could have a material adverse effect on such agreements. In addition, RX Gold may be unable to exert direct influence over strategic decisions made in respect of properties that are subject to the terms of these agreements.

Legal

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on RX Gold's resources and cause increases in expenditures or exploration costs or reduction in levels of activities on projects, or require abandonment or delays in the development of new properties.

Regulations and Permitting

The operations of RX Gold require licenses and permits from various local, state and federal governmental authorities. There can be no assurance that RX Gold will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects.

Litigation

RX Gold may become involved in disputes with other parties in the future which may result in litigation. The results of litigation cannot be predicted with certainty. If RX Gold is unable to resolve these disputes favourably, it may have a material adverse impact on the ability of RX Gold to carry out its operations. RX Gold and its subsidiaries are subject to litigation in the ordinary course of business, including in connection with employment matters. In May 2012, a former employee of DGC filed a suit against DGC alleging that he was wrongfully discharged. DGC denies the allegations and DGC's insurer is actively defending the case.

Uninsurable Risks

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in exploration, and monetary losses and possible legal liability. Where RX Gold considers it practical to do so, it maintains insurance in amounts believed to be reasonable, including coverage for directors' and officers' liability and fiduciary liability and others.

Such insurance, however, contains exclusions and limitations on coverage. Accordingly, RX Gold's insurance policies may not provide coverage for all losses related to RX Gold's activities (and specifically do not cover environmental liabilities and losses). The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material and adverse effect on RX Gold's results of operations and financial condition. RX Gold cannot be certain that insurance will be available to RX Gold, or that appropriate insurance will be available on terms and conditions acceptable to RX Gold. In some cases, coverage is not available or considered too expensive relative to the perceived risk.

Dependence on Key Employees, Management, Contractors and Access to Facilities

RX Gold currently has a small executive management group, which is sufficient for RX Gold's present stage of activity. Given that future success will depend, in large part on the efforts of the current executive management group, the loss of a significant number of the members of this group could have a material adverse effect on RX Gold, its business and its ability to develop its projects. RX Gold does not maintain key person life insurance. Accordingly, the loss of the services of one or more of such key management personnel could have a material adverse effect on RX Gold.

The mining industry has been impacted by increased worldwide demand for critical resources including industry consultants, engineering firms and technical experts. These shortages have caused increased costs and delays in planned activities. RX Gold is also dependent upon a number of key personnel, including the services of certain key employees and contractors. RX Gold's ability to manage its activities, and hence its success, will depend in large part on the efforts of these individuals. RX Gold faces intense competition for qualified personnel, and there can be no assurance that RX Gold will be able to attract and retain such personnel.

Additionally, RX Gold is dependent upon the continued availability of certain operating facilities, equipment and services related to its exploration, development and production operations. There can be no assurance that such operating facilities, equipment and services will remain available to RX Gold on a timely basis or at a reasonable cost. Failure to obtain these resources when needed may result in delays in RX Gold's planned operations.

Conflict of Interest

Certain directors of RX Gold are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of RX Gold are required by law to act honestly and in good faith with a view to the best interests of RX Gold and to disclose any interest, which they may have in an applicable matter. If a conflict of interest arises at a meeting of the RX Gold board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of RX Gold consists of an unlimited number of common shares without par value. The holders of RX Gold Shares are entitled to receive notice of and to attend, and to cast one vote for each RX Gold Share held by them at, all meetings of shareholders of RX Gold. The holders of RX Gold Shares are entitled to receive on a *pro rata* basis such dividends as the RX Gold board of directors may from time to time declare. In the event of the voluntary or involuntary liquidation, dissolution or winding up of RX Gold, subject to the rights of any preferred or other senior class or series of shares (if any), the holders of the RX Gold Shares will be entitled to receive on a *pro rata* basis all of the assets of RX Gold remaining after payment of all of RX Gold's liabilities. The RX Gold Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

As of the date of this Circular, there were 168,974,816 RX Gold Shares outstanding and 15,185,000 RX Gold Shares issuable upon the exercise of 5,000,000 RX Gold Warrants and 10,185,000 RX Gold Options to purchase RX Gold Shares that were outstanding.

The following table sets out the terms of the outstanding RX Gold Options and RX Gold Warrants, as of the date of this Circular.

RX Gold Options

Number of Options	Exercise Price ($)	Grant Date	Expiry Date
850,000	0.32	September 28, 2009	January 29, 2013
10,000	0.44	January 8, 2010	January 8, 2013
600,000	0.50	April 22, 2010	April 22, 2013
50,000	0.53	April 11, 2011	April 11, 2014
2,400,000	0.49	July 6, 2011	July 6, 2013
4,800,000	0.49	July 6, 2011	July 6, 2016
333,333	0.55	September 9, 2011	September 9, 2013
666,667	0.55	September 9, 2011	September 9, 2016
33,333	0.40	December 12, 2011	December 12, 2013
66,667	0.40	December 12, 2011	December 12, 2016
125,000	0.39	April 16, 2012	April 16, 2014
250,000	0.39	April 16, 2012	April 16, 2017

RX Gold Warrants

Number of Warrants	Exercise Price	Issuance Date	Expiry Date
5,000,000	$0.60	July 20, 2011	July 20, 2013

PRICE AND TRADING HISTORY

RX Gold Shares are listed on the TSX-V under the symbol "RXE". The following table sets forth, for the period indicated, the price range and trading volume for the RX Gold Shares on the TSX-V:

Period	High ($)	Low ($)	Volume
2011			
July	0.53	0.425	2,963,999
August	0.60	0.425	2,869,300
September	0.60	0.39	2,841,787
October	0.47	0.31	1,737,429
November	0.52	0.365	2,669,594
December	0.43	0.36	3,759,360
2012			
January	0.40	0.355	2,819,727
February	0.465	0.325	4,019,181
March	0.36	0.28	4,534,317
April	0.395	0.33	4,412,040
May	0.38	0.31	3,051,918
June	0.35	0.215	8,639,855
July (1 to 6)	0.275	0.25	714,537

The closing price of the RX Gold Shares on the TSX-V on July 6, 2012 was $0.255.

PRINCIPAL SHAREHOLDERS OF RX GOLD

As at the date of this Circular, to the knowledge of the directors and senior officers of RX Gold, no person or company beneficially owns, or controls or directs, directly or indirectly, 10% or more of any class of voting securities of RX Gold, on a non-diluted basis.

Assuming completion of the Combination Transaction, the Combined Company will hold all of the outstanding RX Gold Shares.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as set forth in the consolidated audited financial statements of RX Gold for the fiscal year ended June 30, 2011, since the beginning of the fiscal year ended June 30, 2011 and up to the date of this Circular, no director, executive officer or employee or former executive officer, director or employee of RX Gold or any of its subsidiaries has been indebted to RX Gold.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of RX Gold are Collins Barrow Toronto LLP at Collins Barrow Place, 11 King Street West, Suite 700, Toronto, Ontario, M5H 4C7. The transfer agent and registrar of RX Gold is Equity Financial Trust Company at 200 University Ave., Suite 400, Toronto, Ontario, M5H 4H1.

DOCUMENTS INCORPORATED BY REFERENCE AND FURTHER INFORMATION

Information in respect or RX Gold has been incorporated by reference into this Circular from documents filed with the securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from RX Gold at 145 King Street West, Suite 1220, Toronto Ontario, M5H 1J8 (telephone: 416-848-9503). These documents are also available electronically on RX Gold's profile on SEDAR at www.sedar.com.

The following documents, filed with the securities commissions or similar authorities in Canada, are specifically incorporated by reference into, and form an integral part of this Circular:

(a) the audited consolidated financial statements of RX Gold for the fiscal years ended June 30, 2011 and 2010;

(b) the management's discussion and analysis of results of operations and financial condition of RX Gold for the fiscal years ended June 30, 2011 and 2010;

(c) the unaudited consolidated financial statements of RX Gold for the nine months ended March 31, 2012;

(d) the management's discussion and analysis of results of operations and financial condition of RX Gold for the nine months ended March 31, 2012;

(e) the management information circular dated December 14, 2011 in respect of RX Gold's annual shareholder meeting held on January 12, 2012;

(f) the material change report dated June 15, 2012 filed by RX Gold in respect of the announcement of the signing of the Combination Agreement;

(g) the material change report dated March 5, 2012 filed by RX Gold in respect of the announcement of the results of its NI 43-101 compliant mineral resource estimate on the Drumlummon Mine;

(h) the material change report dated November 21, 2011 filed by RX Gold in respect of the announcement of the Credit Agreement;

(i) the material change report dated August 17, 2011 filed by RX Gold in respect of the announcement of the appointment of Robert M. Taylor as Chief Operating Officer and Warren Varga as Chief Financial Officer;

(j) the material change report dated July 20, 2011 filed by RX Gold in respect of the announcement of the completion of the non-brokered private placement of 5,000,000 units at a price of $0.456 per unit for gross proceeds of $2,280,000; and

(k) the material change report dated July 12, 2011 filed by RX Gold in respect of the announcement of the results of the election of directors at the shareholder meeting held on July 6, 2011.

Any documents of a type referred to in the preceding paragraph, including any material change reports (excluding confidential material change reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by RX Gold with the securities commissions or similar authorities in Canada subsequent to the date of this Circular and prior to the completion of the Combination Transaction shall be deemed to be incorporated by reference into this Circular.

Any statement contained in this Circular or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Appendix J – Section 190 of the CBCA

190. (1) Right to dissent — Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

(2) Further right — A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) If one class of shares — The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) Payment for shares — In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) No partial dissent — A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) Objection — A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) Notice of resolution — The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) Demand for payment — A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing (a) the shareholder's name and address; (b) the number and class of shares in respect of which the shareholder dissents; and (c) a demand for payment of the fair value of such shares.

(8) Share certificate — A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) Forfeiture — A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) Endorsing certificate — A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) Suspension of rights — On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12), (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9), in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) Offer to pay — A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Same Terms — Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Payment — Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Corporation may apply to court — Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) Shareholder application to court — If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) Venue — An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) No security for costs — A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) Parties — On an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) Power of court — On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) Appraisers — A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) Final Order — The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) Interest — A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) Notice that subsection (26) applies — If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) Effect where subsection (26) applies — If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) Limitation — A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

Any questions and requests for assistance may be directed to U.S. Silver's Proxy Solicitation Agent:

North American Toll Free Phone:

1- 800-240-2133

Banks, Brokers and Outside North American collect calls: 201-806-2222

North American Toll Free Facsimile: 1–888–509–5907
Email: inquiries@phoenixadvisorypartners.com